



2020

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended September 30, 2020
Available on Rowlett.com

Rowlett
TEXAS



City of Rowlett, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2020

Prepared by
Department of Financial Services



City of Rowlett, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2020
Table of Contents

	Page
INTRODUCTORY SECTION (Unaudited)	
Letter of Transmittal	v
Organizational Chart	xiii
List of Principal Officials	xiv
Location Map.....	xv
Certificate of Achievement for Excellence in Financial Reporting	xvi
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	27
Statement of Revenues, Expenditures, and Changes in Fund Balance	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Proprietary Fund Financial Statements	
Statement of Net Position	30
Statement of Revenues, Expenses, and Changes in Fund Net Position	32
Statement of Cash Flows	33
Fiduciary Fund Financial Statements	
Statement of Net Position	35
Statement of Changes in Fiduciary Net Position	36
Notes to the Basic Financial Statements	39
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget (GAAP Basis) and Actual- General Fund	75
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS	76
Schedule of Contributions - TMRS	78
Schedule of Changes in Net OPEB Liability and Related Ratios	80
Schedule of OPEB Contributions	81
Notes to Required Supplementary Information	82

City of Rowlett, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2020
Table of Contents – Continued

	Page
OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison – Debt Service Fund	84
Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	88
STATISTICAL SECTION	
Net Position – Table 1	94
Changes in Net Position – Table 2	96
Fund Balances, Governmental Funds – Table 3	98
Changes in Fund Balances, Governmental Funds – Table 4	100
General Governmental Tax Revenue by Source – Table 5	102
Assessed Value and Estimated Actual Value of Taxable Property – Table 6	103
Property Tax Rates – All Direct and Overlapping Governments – Table 7	104
Principal Property Taxpayers – Table 8	106
Property Tax Levies and Collections – Table 9	107
Ratio of Outstanding Debt by Type – Table 10	108
Ratio of General Bonded Debt Outstanding – Table 11	110
Computation of Direct and Overlapping Debt – Table 12	111
Computation of Legal Debt Margin – Table 13	112
Schedule of Revenue Bond Coverage – Water & Sewer Bonds – Table 14	113
Demographic and Economic Statistics – Table 15	114
Principal Employers – Table 16	115
Full-Time Equivalent Employees by Function/Fund – Table 17	116
Operating Indicators by Function / Program – Table 18	118
Capital Asset Statistics by Function / Program – Table 19	120
SINGLE AUDIT REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	125
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with Uniform Guidance	127
Schedule of Expenditures of Federal Awards	129
Notes to Schedule of Expenditures of Federal Awards	130
Summary of Findings and Questioned Costs	131
Schedule of Prior Year Findings	132

Introductory Section



Mayor ~ Tammy Dana-Bashian
Mayor Pro Tem ~ Matt Grubisich
Deputy Mayor Pro Tem ~
Pamela Bell
City Council ~
Robert Blake Margolis
Brownie Sherrill
Whitney P. Laning
Martha Brown
City Manager ~ Brian Funderburk



City of Rowlett ~ www.rowlett.com
4000 Main Street Rowlett, TX 75088
Phone ~ 972.412.6100 Fax ~ 972.412.6118

*A well-planned lakeside community
of quality neighborhoods,
distinctive amenities,
diverse employment, and
cultural charm.
THE place to live, work and play.*

February 5, 2021

To the Honorable Mayor, City Council, and Citizens of the City of Rowlett, Texas:

The Department of Financial Services and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the City of Rowlett, Texas for the year ended September 30, 2020.

The purpose of the report is to provide the City Council, City staff, Rowlett citizens, bond holders, and other interested parties with detailed information reflecting the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with City management. We assert that the data, as presented, is accurate in all material respects and is organized in a manner which fairly presents the financial position and results of operations of the City.

City management is responsible for developing a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the assets of the City are protected from loss, theft or misuse, and for the reliability of financial records when preparing the financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of the control should not outweigh the benefits likely to be derived and that the evaluation of cost and benefit require estimates and judgements by management.

Weaver and Tidwell, L.L.P., an independent firm of certified public accountants, has issued an unmodified ("clean") opinion on the City of Rowlett's financial statements for the year ended September 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A and this letter are complimentary and should be read together.

Profile of the Government

The City of Rowlett is located 20 miles northeast of Dallas. Rowlett rests on two peninsulas reaching out into Lake Ray Hubbard with more than 30 miles of beautiful shoreline. It currently occupies 22 square miles and was the hometown choice to an estimated population of 67,339 for fiscal year 2020.

Rowlett voters approved a home rule charter in 1979 establishing a Council-Manager form of government, empowering the City Council to levy a property tax on both real and personal property located within its boundaries.



Under the Council-Manager form of government the Mayor and the City Council establish policy and law, and the City Manager handles day-to-day management of the City organization. As a representative system, all power is concentrated in the elected City Council, and the Council then hires a professionally trained manager to oversee the delivery of public services. This system combines the strong political leadership of elected officials in the form of a council with the managerial experience of an appointed local government manager.

The City Council is elected at-large representing all residents within the City Limits. The Mayor and six Council members serve staggered three-year terms creating a three-year cycle. The mayor and three Council positions are filled in one cycle, three Council positions are selected in the second cycle, and there is no election in the third cycle.

The City Manager is appointed by the City Council and serves as the Chief Executive Officer of the city government. The City Manager is responsible for implementing the policy direction of the City Council in an efficient, effective, responsive, and responsible manner.

A full range of services is provided by the City. These services include general administration, police and fire protection, library services, recreational services, parks maintenance, public works, and public utilities. Public works provides construction and maintenance of roadways and infrastructure, while public utilities provides water distribution, sewer collection, drainage, and sanitation services. Sewage treatment is provided by the City of Garland, and treated water is provided by the North Texas Municipal Water District (NTMWD). FCC provides sanitation collection services for residential and commercial customers.

The City Council is required to adopt an annual operating budget no later than the beginning of the fiscal year. The process begins with the staff of each department submitting their revised expenditure estimates for the current year and their projections for the upcoming year. These expenditures are evaluated and combined with the projected revenues to formulate the City Manager's budget. This proposed budget is presented to the governing body. Through subsequent budget meetings and public hearings, a final budget is developed and adopted by the City Council.

The budget is developed on a departmental level and adopted at the fund level. Department management generates monthly reports that detail expenditures and revenues on a departmental and line item level. This report presents a comparison of budgeted and actual expenditures, providing for the management review of budgetary compliance. Expenditures may not exceed the fund level budget without City Council approval. The City Manager has the authority to make budgetary changes up to the fund level.

It is possible to amend the budget with City Council action to provide for any items that were unforeseen during the regular budget process. Most unexpended appropriations lapse at year-end; however, the City's financial policies specify that funds budgeted for capital purposes automatically carryover into the new year as well as operational purchases encumbered as of the last day of the fiscal year.

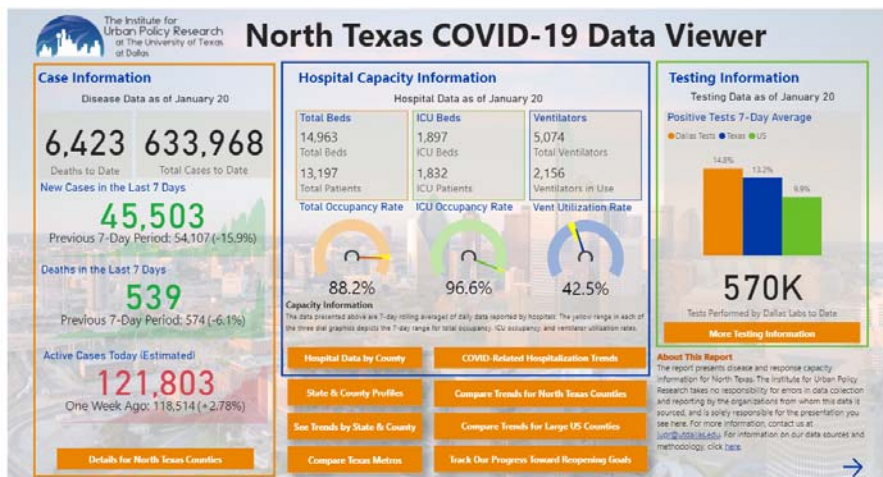
Rowlett takes its responsibilities to its citizens seriously and has received numerous accolades over the years that include:

- Top 25 Places to Live – Money Magazine
- #1 America's Best Small City to Move to – Movoto
- Top 50 Best Small Cities for Families – Nerd Wallet
- #3 Safest City in Texas (population over 50,000) – Value Penguin
- #9 Safest City in Texas, 25th percentile in U.S. (population over 50,000) - Safehome.org
- Playful City USA – KaBOOM!
- 4th City in Texas to receive all 5 Transparency Stars from the State of Texas Comptroller
- Certified Scenic City – Gold Level – ScenicTexas.org

- 8th Fastest-growing City in the Country – US Census Bureau
- Top 10 City to Retire – US News and World Report
- AARP Age-Friendly Community

Local Economy

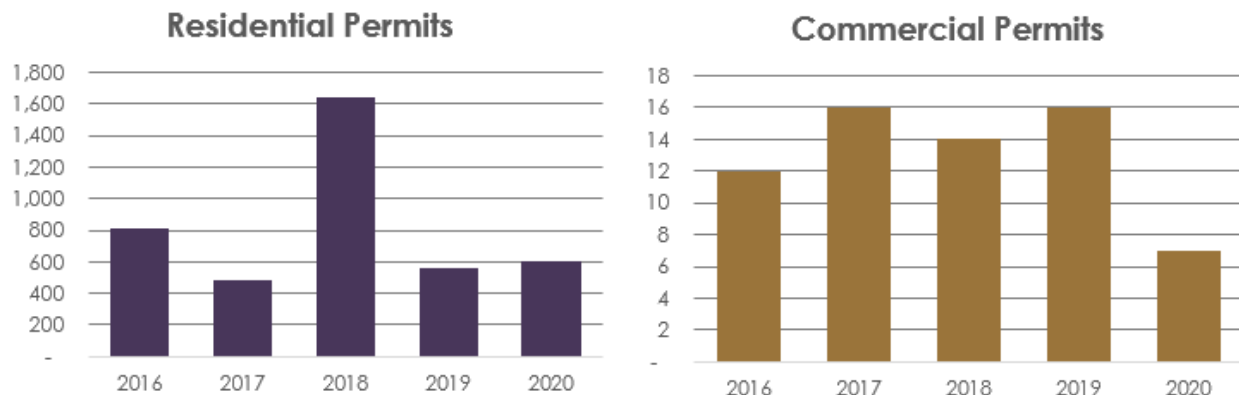
Last year at this time, Rowlett was named the 8th fastest growing city in the country by the US Census Bureau. It was certainly not expected that the entire world would be fighting off a global pandemic. The Coronavirus, also referred to as COVID-19, has affected every aspect of government, businesses, and residents. Early on, the country watched with growing concern as friends, family, and neighbors began contracting the disease. As the federal government addressed the pandemic, businesses closed, millions of people were laid off, and the economy entered a state of crisis. To overcome the financial impact of the pandemic, the federal government pumped trillions of dollars into the economy to help individuals, businesses and schools stay afloat while they were shutdown.



Pandemic!

Rowlett has weathered the impact of the pandemic better than many other cities who rely more upon tourism and retail. Still, the pandemic has had a financial impact on the City of Rowlett and the entire community.

What does this mean for Rowlett? Rowlett has weathered the impact of the pandemic better than many other cities who rely more upon tourism and retail. Still, the pandemic has had a financial impact on the City of Rowlett and the entire community. New construction added to the tax rolls decreased in FY2020 (for FY2021 collections) by \$31.6 million or 15.66% when compared to FY2019 (for FY2020 collections). This is mostly due to several large development projects being added to the tax rolls in FY2019. Commercial permits decreased from 16 in FY2019 to 7 in FY2020. However, residential building permits in Rowlett increased in the current year from 565 in 2019 to 606 in 2020 due to the addition of both single-family and multi-family housing.



Economic development continues to provide phenomenal growth opportunities for Rowlett. Sapphire Bay and Bayside construction remains in progress, and every quadrant of the City has major projects underway. Even more exciting is that projects under development for the past few years are now complete and open, such as the Terra Lago, Baylor Scott & White Lake Pointe Hospital expansion, Mansions by the Lake, and Magnolia Landing. While there are significant single-family projects underway in Rowlett, many new projects will add quality, high-end multi-family options providing an alternative living atmosphere. New businesses in Sapphire Bay and Bayside will provide the types of employment opportunities in retail and entertainment not yet experienced in Rowlett.

Rowlett has experienced significant increases in its property tax values over the past few years. The FY2020 taxable property values (2019 tax levy) increased 9.8% over FY2019. Based on the tax levy, the City will experience an additional increase of 4.2% for FY2021. Additionally, supplemental certifications due to protested values will add an additional \$362 million in taxable values to the 2020 tax levy. Sales tax also reflected the positive economic growth the City is experiencing with an increase of 0.4% over previous year collections.



The Coronavirus pandemic caused the unemployment rate to rise dramatically in 2020. Rowlett's unemployment rates rose from 3.1% to 6.7% in 2020. In comparison, the State of Texas reports an average of 8.2%, and the national average is 7.7%. Rowlett's median household income is \$101,085 with 35.5% of its residents holding at least a bachelor's degree, compared to the national average of \$62,843 and 32.1%, respectively.

Relevant Financial Policies

The City has established reserve policies for its operating funds as follows:

Fund Type	Reserve Balance Requirement
Governmental	
General Fund	25%
Golf Fund	One Year Debt Service
Proprietary	
Water and Sewer Fund	90 Days Net Operating Expenses
Drainage Fund	10%
Refuse Fund	5%

The City's ability to maintain adequate reserves is critical to allowing flexibility in budgeting and responsiveness to unforeseen short-term economic conditions. The City is proud to report that reserve balance requirements have been met or exceeded in the General, Water and Sewer, Refuse and Drainage funds as noted above. The City's Golf fund fell short of the reserve requirement due to the fiscal year 2015 restructuring of the golf course operating contract. The City is in the process of revising the reserve policy for this fund.

Long-Term Financial Planning

Long-term planning, responsiveness to changing economic conditions, and community needs are key factors in maintaining Rowlett's fiscal health. Through the ongoing maintenance of The Strategic Plan, a Five-Year Capital Improvement Plan and a Five-Year Financial Strategy Plan, the City can maximize opportunities, establish priorities and develop funding sources to ensure organizational sustainability while minimizing the effects of growth on the tax rate. Additionally, the City conducts an annual water rate study which includes 10-year projections for the Utility Fund financial and infrastructure stability along with fair rates for customers.

The City adopted a new strategic plan in September 2018 that serves as a guide for the City's initiatives, budget decisions, and staff assignments. City staff develops annual operational plans to guide the organization in the execution of the plan. This effort involves the preparation of specific objectives and initiatives necessary to accomplish the strategic goals consistent with the organization's mission and values and continue to make Rowlett the place to live, work, and play. The Strategic Plan along with the unknown impact of the Coronavirus pandemic were instrumental in the development of the FY2021 Adopted Budget, taking into account available resources and allocating revenues to the highest strategic priorities identified in the plan. It reflects the City's commitment to growth while also considering the future impact that the Coronavirus pandemic may cause.

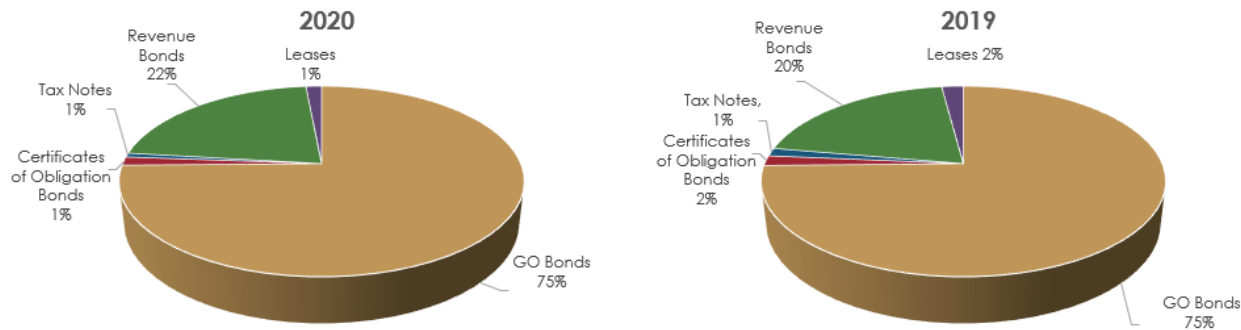
The primary factors of financial significance are outlined below:

- Personnel Cost will increase by \$300,000.
 - o The largest portion of this increase is due to the increased costs of the City's share of a grant funding nine Firefighter-Paramedics.
 - o The balance of the increase is due to the addition of a police officer, the addition of a detention officer that will be offset by revenue from the City of Sachse, a grant writer position moving from part time to full time, a CID clerk moving from part time to full time and a few other reclassifications and promotions.
 - o The FY2021 budget does not include any merit, cost of living, step increase or other salary adjustments for City staff.
- \$794,264 has been allocated for the Vehicle and Equipment Replacement Fund.
- \$500,000 was allocated for right turn lanes at several locations within the City.
- Water supply costs from North Texas Municipal Water District (NTMWD) will not increase in FY2021. Overall, the budgeted water supply expense will remain relatively the same in FY2021 with only a \$25 thousand increase.

The Five-Year Capital Improvement Plan (CIP) totals \$86.6 million and consists of a comprehensive list of carefully selected and coordinated capital improvement projects in public works, public safety, parks and recreation, water and wastewater, and capital equipment. All investments are necessary to accomplish Rowlett's long-range goals and policies and are balanced against realistic revenue projections as well as staff capacity. The model also addresses the recommendations of the Community Investment Advisory Board (CIAB), implementing the projects approved in the FY2018 bond election.

As a continuation of the three-year bonding strategy, the City plans to propose a 2021 General Obligation Bond Referendum to the citizens. As with the past two bond elections, the CIAB will gather information regarding community needs, citizen desires and service expansion. The issuance of these bonds will provide a steady Debt Service tax rate. This is possible due to declining debt, increasing values, and new construction added to the tax rolls. At September 30, 2020, the City had various debt issues outstanding totaling \$142.7 million exclusive of premiums, discounts, or deferred losses. Of this total, \$105 million is supported by a combination of ad valorem taxes and governmental operations. Revenues from the enterprise funds support \$38 million, including \$6.7 million for the enterprise portions of general obligation refundings.

As of September 30, 2020, the breakdown of outstanding debt by type is as follows:



As of September 30, 2020, Rowlett's bond ratings are as follows:

	General Obligation & Certificates of Obligation	Revenue Bonds
Standard & Poor's	AA	A+
Moody's Investor Service	Aa2	Aa3

Major Initiatives

For the Year: The Coronavirus pandemic caused the City to prepare to have a possible revenue shortfall in FY2020 and projects a \$0.7 million revenue shortfall in FY2021. It is uncertain how long this pandemic will last. However, given the science and guidance from the medical community, it is certain that the pandemic will continue into 2021.

In May 2018, Rowlett voters approved a \$59.9 million general obligation bond program that includes funding for street and alley improvements, park improvements and public safety without increasing the tax rate. The election covered three propositions including \$41.5 million for streets and drainage, \$8.9 million for parks and trails improvements and \$9.5 million for public safety and facility improvements. To keep pace with the construction efforts, the City issued \$19.3 million in FY2018, \$18.3 million in FY2019 and the remainder of the \$59.9 million approved in the FY2018 bond election was issued in FY2020. The City also issued \$7 million in Waterworks and Sewer System Revenue Bonds for water and sewer improvements.

The City made substantial investments in major construction projects and acquisitions during FY2020, including \$4.6 million in water improvements, \$6.4 million in sewer improvements, \$20.8 million in street improvements, \$2.6 million in drainage improvements, \$1.5 million in park improvements, \$2.0 million for the Public Safety Department Training Center, \$2.1 million in various improvements to Bayside and \$1.1 million for public safety and public works vehicles. These amounts include contributions from developers in the amount of \$24.0 million.

For the Future: The next bond election will occur in 2021 and will address projects identified by the CIAB. Additionally, the City will prepare for a \$7 million revenue bond issue in FY2021.

Progress at Sapphire Bay continues with site work and utilities. When complete, Sapphire Bay will be a unique 117-acre mixed use surf-and-beach-based waterfront. The total build-out is anticipated to include 1.4 million square feet of commercial space and 1,600 residential units. Sapphire Bay is projected to add \$1 billion in new taxable value, resulting in nearly \$165 million in revenue from property, sales, and hotel occupancy taxes over the next 17 years.

Rowlett's North Shore offers 1,000 acres of highly visible property with direct access to the President George Bush Turnpike in a regional center within the Dallas-Fort Worth Metroplex. The strategic location of North Shore is intended to accommodate the vertical integration of land uses and building types in order to facilitate and support an employment base. It is projected to add nearly \$700 million in new taxable value, resulting in nearly \$110 million in revenue from property, sales and hotel occupancy taxes over the next 20 years based on the economic forecasting completed as part of the City's 2019 Comprehensive Plan update.

This level of growth also creates new challenges. Long-term planning will require the City to strategically balance demand on time and resources in conjunction with addressing capital infrastructure needs.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rowlett for its CAFR for the fiscal year ended 2019. This is the sixteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

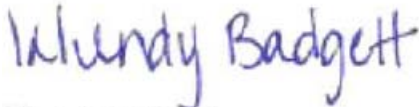
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2019. In order to receive this award, a governmental unit must publish a budget document that meets program criteria of a policy document, an operations guide, a financial plan, and a communication device.

The preparation of this report would not have been possible without the dedicated service of the entire staff of the Financial Services Department. We wish to express our appreciation to all members of the department. We would also like to thank the Mayor and City Council members for their interest and trustworthy support, for maintaining the highest standards of professionalism in the management of the City of Rowlett and for conducting the financial operations in a responsible and progressive manner.

Respectively submitted,



Brian Funderburk
City Manager



Wendy Badgett
Finance Director



ORGANIZATION CHART

CITIZENS OF ROWLETT



CITY OF ROWLETT
ORGANIZATION CHART

MAYOR & CITY
COUNCIL



City Attorney

David
Berman



City Secretary

Laura
Hallmark



City Manager

Brian Funderburk



City Judge

Pam
Liston



City Prosecutor

Amy
Thomas

Economic
Development
Director



Jim
Grabenhorst

Finance
Director



Wendy
Badgett

Fire
Chief



Neil
Howard

Police
Chief



Michael
Godfrey

Library
Director



Laura
Tschoerner

Deputy City
Manager



Angela
Smith

Parks &
Recreation
Director



Aaron
Cleaver

Public Works
Director



Gary
Enna

Community
Development
Director



Munal
Mauladad

IT
Director



Joey
Brock

Human
Resources
Director



Richard
Jones

DECEMBER 2020

City of Rowlett
List of Principal Officials

CITY COUNCIL

Tammy Dana-Bashian	Mayor
Matt Grubisich	Mayor Pro-tem
Pamela Bell.....	Deputy Mayor Pro-tem
Robert Blake Margolis.....	Councilmember
Brownie Sherrill	Councilmember
Whitney P. Laning	Councilmember
Martha Brown	Councilmember

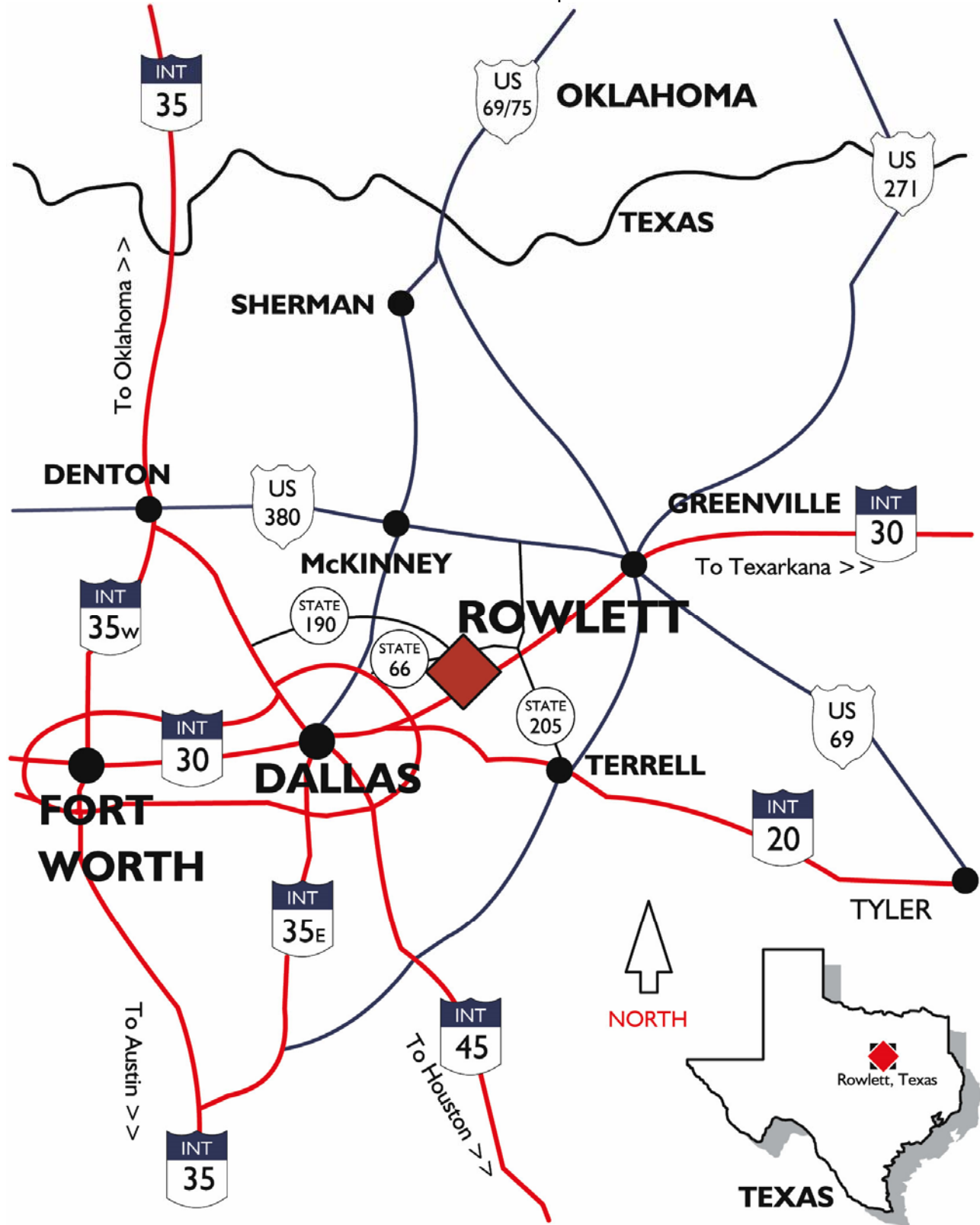
APPOINTED OFFICIALS

Brian Funderburk.....	City Manager
David Berman	City Attorney
Laura Hallmark.....	City Secretary
Pamela Liston.....	City Judge
Amy Thomas.....	City Prosecutor

MANAGEMENT TEAM

Angie Smith	Deputy City Manager
Jim Grabenhorst.....	Economic Development
Wendy Badgett	Financial Services
Neil Howard.....	Fire Rescue
Aaron Cleaver	Parks and Recreation
Munal Mauladad	Community Development
Michael Godfrey	Police
Richard Jones	Human Resources
Gary Enna.....	Public Works
Laura Tschoerner	Library
Joey Brock.....	Information Technology

City of Rowlett
Location Map





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Rowlett
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO

Financial Section



Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Rowlett, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rowlett, Texas (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Honorable Mayor and Members of City Council
City of Rowlett, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 5, 2021



Management's Discussion and Analysis



Management's Discussion and Analysis

Our discussion and analysis of the City of Rowlett's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of September 30, 2020 by \$215 million (net position). Of this amount, \$170 million (79%) is net investment in capital assets and \$15 million (7%) is restricted for specific purposes. The remaining \$30 million (14%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's net position of governmental activities increased by \$22.8 million. Property tax revenues are higher over the prior year by \$3.3 million as a result of higher assessed property values. Operating grants and contributions along with capital grants increased over the prior year by \$4 million and \$14 million, respectively. Expenses increased by \$2.6 million primarily due to an increase in personnel costs that includes merit increases, additional staff and the City's response to the Coronavirus pandemic. The cost of the City's response to the pandemic was mostly offset by federal funding provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$86 million, an increase of \$18 million when compared to the prior year. With expenditures exceeding revenues by \$5 million, this increase was primarily due to \$20.5 million in net bond proceeds. Within total fund balance, \$63 million (72%) is restricted by specific legal requirements, \$9.6 million (11%) is assigned to specific types of expenditures, and \$0.2 million (1%) is non-spendable as it relates to prepaids and inventories. The remainder of the fund balance, \$13 million (16%), is unassigned in the general and special revenue funds. The \$13 million unassigned fund balance in the general fund is approximately 33.6% of total general fund expenditures.
- The City's outstanding debt increased \$13.6 million, consisting of the issuance of \$18.2 million in general obligation debt and \$6.6 million in revenue bonds offset by existing debt retirements.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the City of Rowlett's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business.

The statement of net position presents information on the City's assets and deferred outflows along with its liabilities and deferred inflows with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Rowlett is improving or deteriorating. The statement of net position combines and consolidates governmental and business type funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. While helpful, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. The current year's revenues and expenses are considered regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

In the statement of net position and the statement of activities, the City is divided into two types of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, libraries, community development, recreation operations, public works, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities** – The City charges fees to customers to fund all or most of the cost of certain services it provides. The City's water and sewer system, refuse system, and municipal drainage system are reported here.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund Financial Statements – A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Rowlett maintains nineteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental funds financial statements can be found on pages 26-29 of this report.

Proprietary funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, refuse services and municipal drainage. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its self-insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Refuse, and Drainage funds since they are all considered to be major funds of the City. The internal service fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 30-34 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 35-36 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 39-72 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and health benefits to its employees and retirees.

The required supplementary information can be found on pages 74-82 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Other supplementary information and individual fund statements and schedules can be found on pages 83-89 of this report.

Government-Wide Financial Analysis

Over time, net position may serve as a useful indicator of a government's financial position. The City's combined net position was \$215.2 million as of September 30, 2020.

CITY OF ROWLETT'S NET POSITION						
(in thousands)						
	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 95,050	\$ 74,476	\$ 43,237	\$ 38,776	\$ 138,287	\$ 113,252
Capital assets	135,083	118,326	120,968	101,992	256,051	220,318
Total assets	230,133	192,802	164,205	140,768	394,338	333,570
Deferred outflows	4,190	10,040	1,703	1,967	5,893	12,007
Current liabilities	6,254	5,345	3,824	3,410	10,078	8,755
Noncurrent liabilities	128,842	124,971	41,418	39,433	170,260	164,404
Total liabilities	135,096	130,316	45,242	42,843	180,338	173,159
Deferred inflows	3,987	99	664	9	4,651	108
Net position:						
Net investment in capital assets	75,468	61,373	94,476	75,235	169,944	136,608
Restricted	11,457	5,820	4,143	3,871	15,600	9,691
Unrestricted	8,315	5,234	21,383	20,777	29,698	26,011
Total net position	\$ 95,240	\$ 72,427	\$ 120,002	\$ 99,883	\$ 215,242	\$ 172,310

By far, the largest portion of the City's net position (79%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens.

Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (14%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City can report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true in the prior fiscal year.

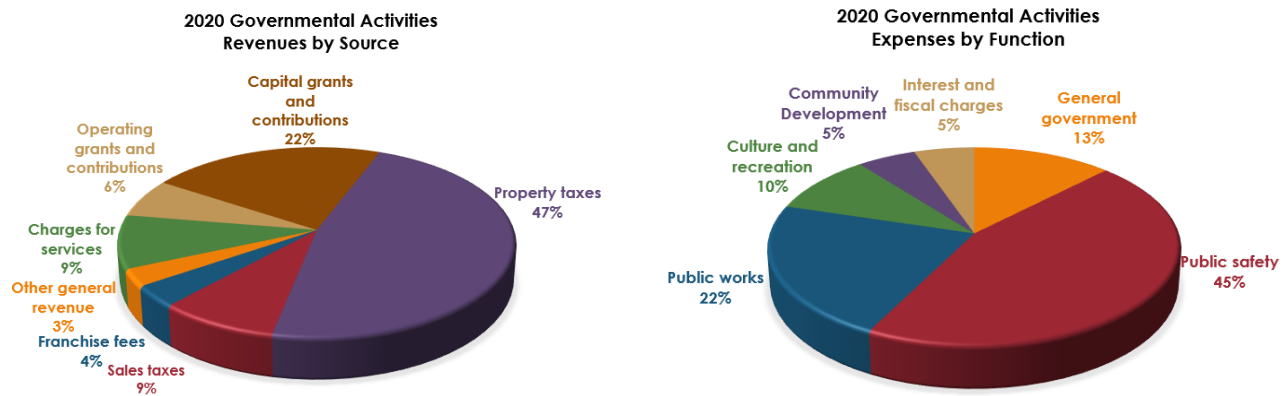
The City of Rowlett's overall net position increased by \$42.9 million during the current fiscal year. Details are listed below and discussed on the following pages.

CITY OF ROWLETT'S CHANGES IN NET POSITION
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 7,488	\$ 7,387	\$ 40,644	\$ 40,003	\$ 48,132	\$ 47,390
Operating grants and contributions	5,432	1,580	-	-	5,432	1,580
Capital grants and contributions	17,910	4,400	18,329	5,084	36,239	9,484
General revenues						
Property taxes	39,125	35,819	-	-	39,125	35,819
Sales taxes	7,206	7,175	-	-	7,206	7,175
Other taxes	99	173	-	-	99	173
Franchise fees	3,019	3,179	-	-	3,019	3,179
Investment income	1,030	1,705	376	587	1,406	2,292
Gain on sale of assets	-	-	4	15	4	15
Other	1,294	1,381	32	18	1,326	1,399
Total revenues	<u>82,603</u>	<u>62,799</u>	<u>59,385</u>	<u>45,707</u>	<u>141,988</u>	<u>108,506</u>
Expenses						
General government	7,659	5,421	-	-	7,659	5,421
Public safety	27,750	27,289	-	-	27,750	27,289
Public works	13,601	13,181	-	-	13,601	13,181
Culture and recreation	5,981	6,568	-	-	5,981	6,568
Community development	3,230	3,501	-	-	3,230	3,501
Interest on long-term debt	3,312	2,985	-	-	3,312	2,985
Water and sewer	-	-	29,328	29,328	29,328	29,328
Refuse	-	-	6,469	6,095	6,469	6,095
Drainage	-	-	1,726	1,676	1,726	1,676
Total expenses	<u>61,533</u>	<u>58,945</u>	<u>37,523</u>	<u>37,099</u>	<u>99,056</u>	<u>96,044</u>
Increase (decrease) in net position before transfers	21,070	3,854	21,862	8,608	42,932	12,462
Transfers	<u>1,743</u>	<u>1,729</u>	<u>(1,743)</u>	<u>(1,729)</u>	<u>-</u>	<u>-</u>
Increase in net position	22,813	5,583	20,119	6,879	42,932	12,462
Net position, beginning	72,427	66,844	99,883	93,004	172,310	159,848
Cumulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, ending	<u>\$ 95,240</u>	<u>\$ 72,427</u>	<u>\$120,002</u>	<u>\$ 99,883</u>	<u>\$ 215,242</u>	<u>\$ 172,310</u>

Governmental Activities

Governmental activities increased the City's net position by \$22.8 million. Governmental activities net investment in capital assets increased \$14.1 million, and restricted net position increased \$5.6 million. Unrestricted net position increased by \$3.1 million as a result of operations.



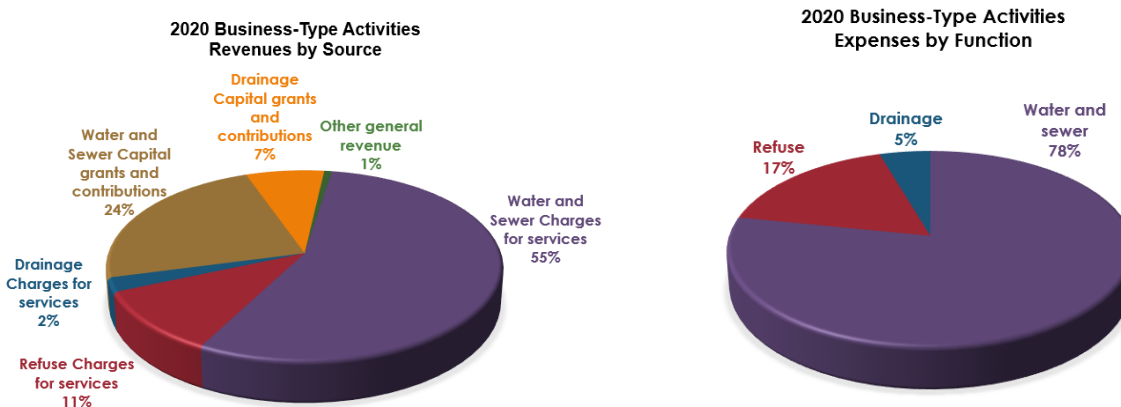
Total revenues for governmental activities, exclusive of transfers, were \$82.6 million in fiscal year 2020, up \$19.8 million from the previous year. The most significant revenue source is property tax revenue which represents \$39.1 million or 47% of the total. The key elements of the increase are as follows:

- In General Revenues, property taxes increased \$3.3 million due to a 10% increase in certified taxable value over the prior year along with increased sales tax collections and charges for services.
- In Program Revenues, capital grants and contributions also realized an increase of \$13.5 million primarily due to developer contributions for construction related to TIRZ#2 North (Bayside), Magnolia Landing, Northhaven Phase 2 and various other projects. Operating grants and contributions increased \$3.8 million primarily because of federal funding provided for the response to the Coronavirus pandemic.
- The increases were offset by a decrease in investment income of \$0.7 million due to an unfavorable market. Franchise fees were down by \$0.2 million due to state legislation that allowed certified telecommunications providers who have both telephone and cable services to eliminate paying franchise fees for one of those services (whichever is lower) for use of the municipality's public rights-of-way.

Overall, governmental activities expenses were \$61.5 million in fiscal year 2020, up \$2.6 million primarily due to an increase in personnel costs that includes merit increases and additional staff along with the City's response to the Coronavirus pandemic. The most significant governmental expense for the City is providing public safety for the community, which incurred expenses of \$27.8 million, or 45% of total expenses. Public safety expenses are partially offset by revenues collected from a variety of sources, with the largest being from court fines totaling \$1.0 million.

Business-type Activities

Business-type activities increased the City's net position by \$20.1 million. Business type activities net investment in capital assets increased \$19.2 million from FY2019. Restricted net position increased \$0.3 million and unrestricted net position increased \$0.6 million.



Revenues of the City's business-type activities were \$59.4 million for the fiscal year ending September 30, 2020, up \$13.7 million from the prior year. Total operating expenses for the City's business-type activities were \$37.5 million, up \$0.4 million when compared to the prior year. The breakdown of these fluctuations are as follows:

- The City's water and sewer system accounts for 56% of the business-type program revenues and 78% of the business-type expenses. The water and sewer activity operated with charges for services exceeding expenses by \$3.5 million. Charges for services revenues increased over the prior year by \$0.3 million as a result of a 5.68% increase in customer water usage. At \$13.9 million, or 47% of total expenses, water supply and wastewater treatment costs are the most significant expense of this fund. The fund also received \$13.3 million in developer contributions and \$0.7 million in impact fees.
- The City's refuse activity operated with expenses exceeding charges for services by \$0.1 million, consistent with prior year activity.
- The City's drainage activity operated with expenses exceeding charges for services by \$0.3 million, consistent with the prior year. At 69% of total expenses, the largest cost to the drainage activity is depreciation, at \$1.2 million for the current year.

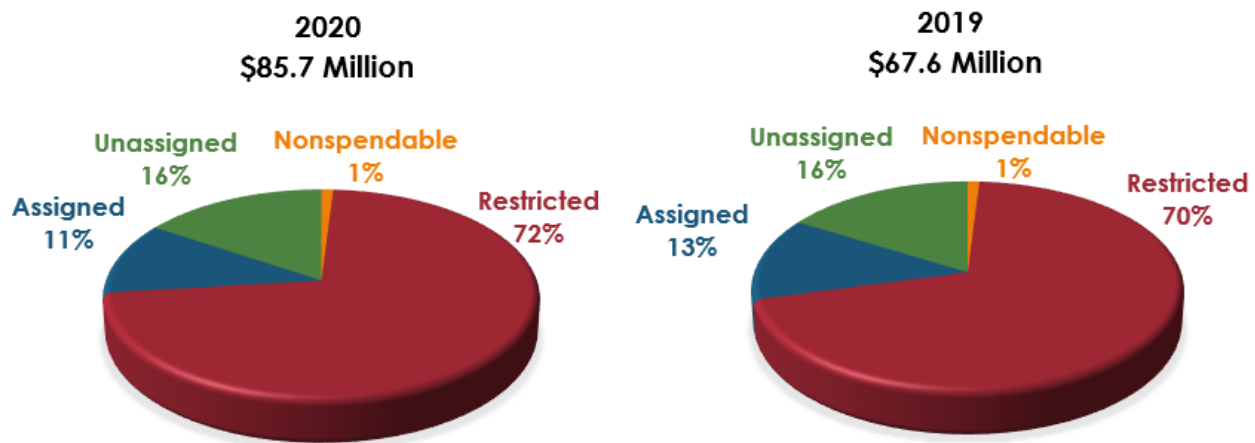
Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending in the next fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$85.7 million. Within this total, \$0.2 million is non-spendable for prepaid and inventories, \$62.5 million is restricted by specific legal requirements, such as by debt covenants, capital projects and specific purposes, and \$9.6 million has been assigned to specific types of expenditures.

The remainder of the fund balance, \$13.4 million or 16%, constitutes unassigned fund balance of \$13.8 million in the general fund that can be used for any lawful purpose, and a deficit fund balance of \$0.4 million in the grant fund. The fund balance for all governmental funds increased \$18.1 million primarily due to the issuance of capital project bonds during the year.



The general fund is the chief operating fund of the City. The net change in fund balance for the general fund was an increase of \$4.1 million for the current year. Key factors in this increase are as follows:

- Expenditures increased by \$0.6 million. Current operating expenses increased \$0.9 million, primarily due to salary increases and the addition of 14.75 positions, which includes the addition of eight police officers. This increase was offset by a decrease of \$0.1 million in debt service payments and a decrease of \$0.2 million in capital outlay expenditures.
- Revenues increased \$2.1 million primarily due to increased property taxes based on higher certified taxable values.
- Other financing increased by \$1.3 million mainly attributable to proceeds received for a capital lease financing two ambulances and bunker gear for the fire department and a decrease in the transfer out to fund capital projects.

The debt service fund has a total fund balance of \$1.3 million, all of which is legally restricted for the payment of debt service. The fund balance increased over the prior year by \$0.3 million due to an increase in property tax values.

The capital projects fund has a total fund balance of \$58.2 million, of which almost all of the \$58.2 million is restricted for the acquisition or construction of capital facilities and assets with a non-spendable amount of \$36 thousand that represents inventories. Fund balance increased \$10.9 million over the prior year primarily due to a successful May 2018 bond election that yielded \$20.5 million in bond proceeds. The capital projects fund expended \$12.7 million in fiscal year 2020, a decrease of \$5.9 million from 2019 expenditures due to a delay in projects because of the Coronavirus pandemic and because the two largest 2018 bond projects, Chiesa and Miller Road, were still in the pre-design/design stages of the project in FY2020.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

- Net position of the City's Water and Sewer fund is \$92.4 million, of which \$69.7 million is net investment in capital assets, \$4.1 million is restricted for debt service, and \$18.5 million is unrestricted. The fund's net position increased \$16.2 million in the current year. Charges for services revenues increased over the prior year by \$0.3 million due to a 5.68% increase in customer water usage. Additionally, capital contributions related to the TIRZ#2 North (Bayside) project, Mansions by the Lake, Northhaven Phase 2, Heritage Estates, Mansions at Bayside, and other developments totaling \$13.3 million were recorded and \$0.7 million in impact fees were recorded. The water and sewer system expenses stayed consistent with FY2019 primarily due to \$0.5 million in increased water supply costs, \$0.1 million in decreased personnel costs, \$0.1 million decrease in wastewater costs, a \$0.4 million decrease in maintenance, repairs, and supply costs and \$0.1 million in increased depreciation charges.
- Net position of the City's Refuse fund is \$0.6 million, of which \$6 thousand is net investment in capital assets and the remaining \$0.6 million is unrestricted. Change in net position for the Refuse fund was a decrease of \$48 thousand.
- Net position of the City's Drainage fund is \$27 million, of which \$24.7 million is net investment in capital assets and \$2.3 million is unrestricted. Net position for the Drainage fund increased \$3.9 million as a result of increased capital contributions related to Mansions by the Lake, Towers at Bayside, Magnolia Landing, Northhaven Phase 2 and Mansion at Bayside developments.

General Fund Budgetary Highlights

Original budget compared to final budget: During the year, there were no significant amendments to the original estimated revenues or budgeted appropriations. However, the City prepared to have a possible revenue shortfall due to the Coronavirus pandemic and had a contingency plan prepared if it was necessary.

Final budget compared to actual results: For fiscal year 2020, actual revenues were \$44.6 million compared to the final budget of \$43.8 million, primarily due to higher than expected building permit revenue attributable to Rowlett Station buildings I, II, and III along with property protest outcomes in the City's favor. Actual expenditures were \$41.2 million compared to the final budget amount of \$43.9 million primarily resulting from salary savings and savings in supplies, maintenance, repairs and purchased services due to the Coronavirus pandemic. Fund balance at year end was \$16.6 million, \$4.4 million more than budgeted because of the aforementioned variances.

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$256 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, park facilities, machinery, equipment, vehicles, roads, bridges, water and sewer lines, and construction in progress. This amount represents a 16% increase totaling \$35.7 million in capital assets, net of accumulated depreciation, for the current fiscal year.

Capital Assets at Year-End
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 29,672	\$ 29,672	\$ 1,045	\$ 1,010	\$ 30,717	\$ 30,682
Buildings and improvements	22,994	20,360	3,687	3,935	26,681	24,295
Machinery and equipment	4,360	5,456	1,525	1,765	5,885	7,221
Infrastructure	60,377	44,398	100,725	93,197	161,102	137,595
Construction in progress	17,680	18,440	13,986	2,085	31,666	20,525
Total	<u>\$ 135,083</u>	<u>\$ 118,326</u>	<u>\$ 120,968</u>	<u>\$ 101,992</u>	<u>\$ 256,051</u>	<u>\$ 220,318</u>

This year's completed major construction projects and capital acquisitions included:

TIRZ#2 North (Bayside) Improvements	\$ 11,155,083
Manisins by the Lake	4,355,592
Lake Country Estates Street Reconstruction	3,159,335
Main St Reconstruction Roundabout PGBT	2,868,499
Dalrock Estates Phase 2	2,501,936
Magnolia Landing	2,428,271
Public Safety Dept Training Center	1,977,162
Northhaven Phase 2	1,883,447
Lake Country Estates Phase 2	1,536,829
Mansions at Bayside	1,409,516
Towers at Bayside	1,278,562
Waterview Golf Course Improvements	1,224,295
Motor Vehicles	1,124,762
Dalrock Improvements	773,583
Heritage Estates	691,596
Dalrock Estates SS Improv Phase 2	531,237
Rowlett Road Lift - New Pump	465,377
Traffic Signal Improvements SH66	405,038
Dalrock Estates WA Improv Phase 2	374,154
Right Turn Lane Main & PGBT	357,721
North Dalrock Road Culvert Replacement	338,435
Lake Country Estates SS Improv Phase 2	240,180
	<u>\$ 41,080,610</u>

For more information related to capital assets, see Note 6 to the basic financial statements.

Long-Term Debt: At year-end, the City had \$140.6 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds outstanding as compared to \$127 million at the end of the prior fiscal year, an increase of \$13.6 million.

	Outstanding Debt at Year End					
	(in thousands)					
	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2020	2019	2020	2019	2020	2019
General obligation bonds (backed by the City)	\$ 99,922	\$ 88,351	\$ 6,723	\$ 8,199	\$ 106,645	\$ 96,550
Certificates of obligation and tax notes (backed by the City)	3,045	4,005	-	-	3,045	4,005
Revenue bonds (backed by fee revenues)	-	-	30,880	26,450	30,880	26,450
Total	<u>\$ 102,967</u>	<u>\$ 92,356</u>	<u>\$ 37,603</u>	<u>\$ 34,649</u>	<u>\$ 140,570</u>	<u>\$ 127,005</u>

During the current fiscal year, the City issued \$18.2 million in new general obligation bonds. The City also issued \$6.6 million in waterworks and sewer system revenue bonds.

The City's general obligation bonds, certificates of obligation and tax notes carry Aa2 and AA ratings by Moody's Investor Service and Standard and Poor's, respectively. The City's water and sewer revenue bonds carry Aa3 and A+ by Moody's Investor Service and Standard and Poor's, respectively.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation debt. In May 2003, the citizens of Rowlett amended the Charter to limit the amount of taxes that may be levied to \$1.25 per \$100 of assessed valuation.

More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials consider many factors when setting each year's budget, with fiscal year 2021 made even more challenging by the Coronavirus pandemic. Although there was no way to forecast the actual length and severity of the pandemic, a two-year economic impact was planned for and a bridge strategy was developed. The bridge strategy was designed to utilize a combination of program budget reductions and existing one-time resources to carry Rowlett into 2022 while preserving options if the pandemic impact is deeper or continues into a third year. Although Rowlett expects a difficult 2021, the bridge strategy allows the city to continue its funding priority on public safety by adding additional police officers and increased grant funding for firefighters. This strategy also includes recognition of the economic impact on our citizens and reduces water rates for all of our customers.

Revenue Projection Highlights:

The total FY2021 combined budget current revenue projections total \$144.5 million.

- Property tax revenue is projected to reach \$40 million, compared to FY2020's actual amount of \$39.1 million. The overall property tax rate decreased from FY2020 to FY2021, set at \$0.745000 per one hundred dollars of taxable valuation, with \$0.524691 allocated to operations and maintenance and \$0.220309 allocated to debt service. Certified valuations combined with subsequent supplements reporting settled protest property valuations increased by \$499.8 million or 9.2% for FY2021. This increase is a result of improvements in appraised values, as well as new construction, investment and development that was added to the tax rolls through January 1, 2020.
- Sales tax revenue is projected to reach \$7 million, compared to FY2020's actual amount of \$7.2 million. The anticipated decrease is due to the impact of the Coronavirus.
- General fund licenses and permits are projected to slightly decrease to \$1 million.
- Enterprise fund charges for services are projected at \$39.7 million, compared to FY2020's actual amount of \$40.6 million. This represents a \$1.1 million decrease in water and sewer and a \$0.2 million increase in refuse revenues due to a decrease in the volume rate for water. The FY2021 projected revenues reflect the results of the City's water and sewer rate study, which includes adjustments to the volume rate, as detailed below:

Residential Water & Sewer Customers Only	Adopted FY2020	Adopted FY2021
Beginning Base Rate	\$49.86	\$44.81
New Base Rate	\$44.81	\$44.81
Volume Rate - 0-3,000 gallons	\$10.23	\$9.17
Volume Rate - 3,000-15,000 gallons	\$11.38	\$11.38
Total Monthly Fee @ 7,500 gallons per month	\$126.71	\$123.53
Dollar change	(\$4.23)	(\$3.18)
Percent change	-3.2%	-2.5%

Appropriation Budget Highlights:

The total FY2021 combined budget appropriations total \$144 million.

- Expenses in the general fund are projected to be \$48.2 million in FY2021. This is a projected increase of \$0.4 million or 0.8% when compared to the FY2020 budget of \$47.8 million. The majority of the increase is driven by personnel costs, as a result of the City's increased share to a grant funding nine firefighter/paramedics.

Overall changes are summarized below.

General Fund Expenses	Adopted FY2020	Adopted FY2021	\$ Change	% Change
Personnel Services	\$33,584,251	\$33,883,434	\$299,183	0.9%
Supplies	\$2,152,421	\$2,119,991	(32,430)	-1.5%
Purchase Services	\$8,483,705	\$8,783,505	299,800	3.5%
Capital Equipment	\$417,448	\$221,990	(195,458)	-46.8%
Transfers Out	\$3,176,631	\$3,185,412	8,781	0.3%
Total Expenses	\$47,814,456	\$48,194,332	\$379,876	0.8%

- The FY2021 water and sewer fund budget totals \$31.5 million, representing a decrease of \$0.8 million or 2.4% from the FY2020 budget of \$32.3 million. This decrease is mostly attributable to a reduction in transfers out due to a modification of the City's approach to capital investment. Beginning in FY2020, a larger amount of revenue bonds were issued rather than using cash transfers to the CIP fund for those improvements that are deemed bond eligible. These increased revenue bonds issued in FY2020 will be for the FY2021 projects. This allows the cost of infrastructure to be spread over the life of the bonds as opposed to paying for the improvements in one year, and thus creates a more equitable payback of the improvements for current and future rate payers. This reduction to the cash maintenance transfers out funding of improvements was offset partially by a large amount of capital lease expirations in purchase services expenses that was reallocated to transfers out to reinvest to system infrastructure improvements.

Overall changes are summarized below:

Utility Fund Expenses	Adopted FY2020	Adopted FY2021	\$ Change	% Change
Personnel Costs	\$3,210,751	\$3,178,046	(\$32,705)	-1.0%
Water/Sewer Contract Services	14,605,870	14,716,558	110,688	0.8%
Other Purchased Services and Supplies	2,460,060	1,903,567	(556,493)	-22.6%
Debt Service	4,659,211	4,833,950	174,739	3.8%
Capital Outlay	-	-	-	-
Transfers Out	7,331,864	6,849,510	(482,354)	-6.6%
Total Expenses	\$32,267,756	\$31,481,631	(\$786,125)	-2.4%

- In the Self Insurance Fund, FY2021 expenses are budgeted to increase 2.4% to \$6.6 million due to the cumulative effect of minor increases across the board in plan administration, stop loss premium, benefit payments and General and Administrative (G&A) transfer expenses. Accordingly, the revenue budget was increased 2.0%, to \$6.6 million. Currently, the City contributes approximately 83.8% to the revenues of this fund, and employees/retirees contribute approximately 16.2%.

Contacting The City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Financial Services at City of Rowlett, 4004 Main Street, Rowlett, TX 75088 or check our website at www.Rowlett.com.



Basic Financial Statements



City of Rowlett, Texas
Statement of Net Position
September 30, 2020

	Governmental Activities	Business-type Activities	Total	Component Unit As of December 31, 2019
ASSETS				
Cash, cash equivalents and investments	\$ 88,586,474	\$ 36,067,170	\$ 124,653,644	\$ 713,130
Receivables (net of allowance for doubtful accounts)	3,646,561	6,451,728	10,098,289	3,125
Due from other governments	2,439,900	-	2,439,900	-
Notes receivable	-	13,759	13,759	-
Inventories	87,045	673,008	760,053	-
Prepaid and other items	290,178	31,018	321,196	25,098
Capital assets:				
Nondepreciable	47,351,907	15,030,815	62,382,722	2,312,612
Depreciable (net)	87,731,297	105,936,980	193,668,277	8,249,622
Total assets	<u>230,133,362</u>	<u>164,204,478</u>	<u>394,337,840</u>	<u>11,303,587</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,066,449	1,127,867	2,194,316	-
Deferred outflow of resources - TMRS	2,987,695	563,676	3,551,371	-
Deferred outflow of resources - OPEB	136,133	11,848	147,981	-
Total deferred outflows of resources	<u>4,190,277</u>	<u>1,703,391</u>	<u>5,893,668</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued liabilities	5,165,548	2,442,479	7,608,027	23,735
Accrued interest payable	530,730	134,390	665,120	-
Retainage payable	476,252	412,521	888,773	-
Customer deposits	-	834,997	834,997	41,035
Unearned revenues	81,425	-	81,425	2,272,237
Noncurrent liabilities:				
Due within one year	8,818,774	3,809,325	12,628,099	123,926
Due in more than one year:	<u>120,023,396</u>	<u>37,608,418</u>	<u>157,631,814</u>	<u>8,149,467</u>
Total liabilities	<u>135,096,125</u>	<u>45,242,130</u>	<u>180,338,255</u>	<u>10,610,400</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow of resources - TMRS	3,385,533	615,909	4,001,442	-
Deferred inflow of resources - OPEB	602,067	47,994	650,061	-
Total deferred inflows of resources	<u>3,987,600</u>	<u>663,903</u>	<u>4,651,503</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	75,468,383	94,475,722	169,944,105	22,948
Restricted for:				
Debt service	911,436	4,142,581	5,054,017	-
Capital projects	6,121,141	-	6,121,141	-
Public safety	3,775,231	-	3,775,231	-
Economic development	41,216	-	41,216	-
Public broadcasting	607,815	-	607,815	-
Unrestricted	<u>8,314,692</u>	<u>21,383,533</u>	<u>29,698,225</u>	<u>670,239</u>
Total net position	<u>\$ 95,239,914</u>	<u>\$ 120,001,836</u>	<u>\$ 215,241,750</u>	<u>\$ 693,187</u>

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Statement Of Activities
For the Fiscal Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 7,659,005	\$ 87,097	\$ -	\$ 4,833,344
Public safety	27,749,819	3,075,507	5,432,039	-
Public works	13,601,146	1,647,102	-	10,708,541
Culture and recreation	5,980,810	284,904	-	257,375
Community Development	3,230,325	2,393,835	-	2,110,394
Interest and fiscal charges	3,311,592	-	-	-
Total governmental activities	<u>61,532,697</u>	<u>7,488,445</u>	<u>5,432,039</u>	<u>17,909,654</u>
Business-type activities:				
Water and sewer	29,328,206	32,827,177	-	14,014,701
Refuse	6,469,157	6,414,887	-	-
Drainage	1,725,900	1,402,172	-	4,313,663
Total business-type activities	<u>37,523,263</u>	<u>40,644,236</u>	<u>-</u>	<u>18,328,364</u>
Total primary government	<u>\$ 99,055,960</u>	<u>\$ 48,132,681</u>	<u>\$ 5,432,039</u>	<u>\$ 36,238,018</u>
Component unit				
Rowlett Housing Finance Corp.	\$ 590,034	\$ 143,177	\$ -	\$ 383,612
	<u>\$ 590,034</u>	<u>\$ 143,177</u>	<u>\$ -</u>	<u>\$ 383,612</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Other

Franchise fees

Investment earnings

Gain on sale of assets

Miscellaneous

Transfers (net)

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

The Notes to the Financial Statements are an integral part of this statement.

Net Revenues (Expenses) and Changes in Net Position			Component Unit as of 12/31/19
Primary Government			
Governmental Activities	Business-type Activities	Total	
\$ (2,738,564)	\$ -	\$ (2,738,564)	\$ -
(19,242,273)	-	(19,242,273)	-
(1,245,503)	-	(1,245,503)	-
(5,438,531)	-	(5,438,531)	-
1,273,904	-	1,273,904	-
(3,311,592)	-	(3,311,592)	-
<u>(30,702,559)</u>	<u>-</u>	<u>(30,702,559)</u>	<u>-</u>
-	17,513,672	17,513,672	-
-	(54,270)	(54,270)	-
<u>-</u>	<u>3,989,935</u>	<u>3,989,935</u>	<u>-</u>
<u>-</u>	<u>21,449,337</u>	<u>21,449,337</u>	<u>-</u>
<u>\$ (30,702,559)</u>	<u>\$ 21,449,337</u>	<u>\$ (9,253,222)</u>	<u>\$ -</u>
			\$ (63,245)
39,124,891	-	39,124,891	-
7,206,313	-	7,206,313	-
99,036	-	99,036	-
3,018,982	-	3,018,982	-
1,029,614	375,999	1,405,613	13,710
-	4,255	4,255	-
1,293,788	31,556	1,325,344	-
1,742,802	(1,742,802)	-	-
<u>53,515,426</u>	<u>(1,330,992)</u>	<u>52,184,434</u>	<u>13,710</u>
22,812,867	20,118,345	42,931,212	(49,535)
<u>72,427,047</u>	<u>99,883,491</u>	<u>172,310,538</u>	<u>742,722</u>
\$ 95,239,914	\$ 120,001,836	\$ 215,241,750	\$ 693,187

City of Rowlett, Texas
Balance Sheet
Governmental Funds
September 30, 2020

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 17,120,153	\$ 1,279,797	\$ 59,468,436	\$ 9,116,131	\$ 86,984,517
Receivables (net of allowance for uncollectibles):					
Taxes	1,684,550	161,543	-	1,313	1,847,406
Accounts	481,934	-	122,543	-	604,477
Accrued interest	10,559	826	39,716	5,169	56,270
Other	1,062,747	-	-	38,649	1,101,396
Due from other governments	513	-	-	2,439,387	2,439,900
Due from other funds	344,243	-	-	-	344,243
Inventories	51,425	-	35,620	-	87,045
Prepaid and other items	94,868	10,363	-	1,933	107,164
Total assets	<u>\$ 20,850,992</u>	<u>\$ 1,452,529</u>	<u>\$ 59,666,315</u>	<u>\$ 11,602,582</u>	<u>\$ 93,572,418</u>
LIABILITIES					
Accounts payable	\$ 1,272,903	\$ -	\$ 966,556	\$ 589,943	\$ 2,829,402
Retainage payable	500	-	475,752	-	476,252
Accrued liabilities	1,919,914	-	3,378	76,996	2,000,288
Unearned revenue	23,563	-	-	57,862	81,425
Due to other funds	-	-	-	344,243	344,243
Total liabilities	<u>3,216,880</u>	<u>-</u>	<u>1,445,686</u>	<u>1,069,044</u>	<u>5,731,610</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	378,531	161,543	-	118	540,192
Unavailable revenue - ambulance fees	250,465	-	-	-	250,465
Unavailable revenue - mowing liens	220,645	-	-	-	220,645
Unavailable revenue - franchise fees	189,722	-	-	-	189,722
Unavailable revenue - grants	-	-	-	898,275	898,275
Unavailable revenue - other	17,858	-	-	673	18,531
Total deferred inflows of resources	<u>1,057,221</u>	<u>161,543</u>	<u>-</u>	<u>899,066</u>	<u>2,117,830</u>
FUND BALANCES					
Fund balances:					
Nonspendable:					
Inventories	51,425	-	35,620	-	87,045
Prepaid items	94,868	10,363	-	1,933	107,164
Restricted for:					
Debt service	-	1,280,623	-	-	1,280,623
Capital projects	875,267	-	50,317,009	6,529,301	57,721,577
Public safety	-	-	-	2,876,283	2,876,283
Community development	-	-	-	41,216	41,216
Public broadcasting	-	-	-	607,815	607,815
Assigned for:					
Economic development	1,714,094	-	-	-	1,714,094
Capital acquisition	2,093	-	7,868,000	-	7,870,093
Unassigned	13,839,144	-	-	(422,076)	13,417,068
Total fund balances	<u>16,576,891</u>	<u>1,290,986</u>	<u>58,220,629</u>	<u>9,634,472</u>	<u>85,722,978</u>
Total liabilities and fund balances	<u>\$ 20,850,992</u>	<u>\$ 1,452,529</u>	<u>\$ 59,666,315</u>	<u>\$ 11,602,582</u>	<u>\$ 93,572,418</u>

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Reconciliation of the Balance Sheet
Of Governmental Funds to the Statement of Net Position
September 30, 2020

Amounts reported for governmental activities in the statement
of net position are different because:

Total fund balances per balance sheet - governmental funds	\$ 85,722,978
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	135,083,204
Certain revenues are not available soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources.	2,117,830
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:	
General obligation bonds	(99,922,275)
Certificates of obligation payable	(2,050,000)
Limited tax notes	(995,000)
Bond premiums	(7,464,012)
Deferred charges on refunding	1,066,449
Accrued interest	(530,730)
Capital leases payable	(1,850,419)
Net pension liability	(10,675,231)
Net OPEB liability	(2,227,466)
Compensated absences	(3,657,767)
	(128,306,451)
Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are not reported in the fund financial statements.	(863,772)
The internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	1,486,125
Net position of governmental activities	\$ 95,239,914

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Statement of Revenues, Expenditures
And Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended September 30, 2020

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property taxes	\$ 27,465,666	\$ 11,223,228	\$ -	\$ 429,400	\$ 39,118,294
Sales taxes	7,206,313	-	-	-	7,206,313
Other	77,334	-	-	21,702	99,036
Franchise fees	2,906,916	-	-	139,211	3,046,127
License and permits	1,514,679	-	-	822,540	2,337,219
Charge for services	2,834,470	-	824,562	-	3,659,032
Fines and forfeitures	781,643	-	-	727,304	1,508,947
Intergovernmental	287,199	-	53,924	4,642,140	4,983,263
Interest	276,866	36,767	618,766	97,215	1,029,614
Miscellaneous	1,232,175	-	61,613	-	1,293,788
Total revenues	<u>44,583,261</u>	<u>11,259,995</u>	<u>1,558,865</u>	<u>6,879,512</u>	<u>64,281,633</u>
EXPENDITURES					
Current operating:					
General government	4,851,656	86,188	-	1,855,360	6,793,204
Public safety	24,307,485	-	-	1,754,316	26,061,801
Public works	2,570,988	-	3,619,560	291,043	6,481,591
Culture and recreation	4,899,143	-	-	129,640	5,028,783
Community development	3,165,107	-	-	11,150	3,176,257
Debt service:					
Principal retirement	708,639	7,574,138	-	-	8,282,777
Interest and fiscal charges	39,465	3,538,210	-	-	3,577,675
Bond issuance costs	-	-	243,636	-	243,636
Capital outlay	652,411	-	8,857,827	160,724	9,670,962
Total expenditures	<u>41,194,894</u>	<u>11,198,536</u>	<u>12,721,023</u>	<u>4,202,233</u>	<u>69,316,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,388,367</u>	<u>61,459</u>	<u>(11,162,158)</u>	<u>2,677,279</u>	<u>(5,035,053)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	18,185,000	-	18,185,000
Capital lease	875,253	-	-	-	875,253
Premiums on issuance of debt	-	-	2,313,636	-	2,313,636
Transfers in	1,642,806	242,540	1,605,972	84,393	3,575,711
Transfers out	(1,832,909)	-	-	-	(1,832,909)
Proceeds from sale of assets	12,395	-	-	-	12,395
Total other financing sources (uses)	<u>697,545</u>	<u>242,540</u>	<u>22,104,608</u>	<u>84,393</u>	<u>23,129,086</u>
NET CHANGE IN FUND BALANCES	<u>4,085,912</u>	<u>303,999</u>	<u>10,942,450</u>	<u>2,761,672</u>	<u>18,094,033</u>
FUND BALANCES, BEGINNING	<u>12,490,979</u>	<u>986,987</u>	<u>47,278,179</u>	<u>6,872,800</u>	<u>67,628,945</u>
FUND BALANCES, ENDING	<u>\$ 16,576,891</u>	<u>\$ 1,290,986</u>	<u>\$ 58,220,629</u>	<u>\$ 9,634,472</u>	<u>\$ 85,722,978</u>

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2020

Amounts reported for governmental activities in the statement
of activities are different because:

Net change in fund balances - total governmental funds	\$ 18,094,033
--	---------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$27,219,474) exceeded depreciation (\$10,232,366), and deletions (\$230,173) in the current period.	16,756,935
---	------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the governmental financial statements, these revenues are referred to as deferred inflows of resources.	772,617
---	---------

Capital lease and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayments of principal	8,282,777	
Issuance of bonds	(18,185,000)	
Issuance of capital lease	(875,253)	
Premium on issuance	(2,313,636)	
		(13,091,112)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in the amount of compensated absences	(278,859)	
Increase in accrued interest payable	(31,024)	
Amortization of bond discounts/premiums and deferred losses	540,743	
		230,860

To record net change in pension activity	(987,597)
--	-----------

To record net change in OPEB activity	207,335
---------------------------------------	---------

The internal service fund is used by management to charge the costs for self-insurance to the various funds. The change in net position of the internal service fund is reported within the governmental activities.	829,796
--	---------

Change in net position of governmental activities	\$ 22,812,867
---	---------------

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Statement of Net Position
Proprietary Funds
September 30, 2020

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 16,140,913	\$ 128,946	\$ 2,192,538	\$ 18,462,397	\$ 1,601,957
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	4,142,581	-	-	4,142,581	-
Receivables (net of allowance for uncollectibles):					
Accounts	5,261,292	955,441	204,569	6,421,302	-
Accrued interest	19,788	106	1,560	21,454	67
Other	7,381	1,591	-	8,972	36,945
Inventories	673,008	-	-	673,008	-
Prepaid and other items	31,018	-	-	31,018	183,014
Total current assets	26,275,981	1,086,084	2,398,667	29,760,732	1,821,983
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	8,965,798	-	-	8,965,798	-
Impact fee funds	3,488,032	-	-	3,488,032	-
Offsite wastewater project	1,008,362	-	-	1,008,362	-
Receivables (net of allowance for uncollectibles):					
Notes receivable	13,759	-	-	13,759	-
Capital assets:					
Land	994,697	-	49,925	1,044,622	-
Buildings	1,041,641	-	59,178	1,100,819	-
Systems	165,677,310	194,768	45,110,917	210,982,995	-
Machinery and equipment	10,233,713	57,417	542,328	10,833,458	-
Construction in progress	12,025,082	-	1,961,111	13,986,193	-
Less accumulated depreciation	(95,683,736)	(246,588)	(21,049,968)	(116,980,292)	-
Total capital assets	94,288,707	5,597	26,673,491	120,967,795	-
Total noncurrent assets	107,764,658	5,597	26,673,491	134,443,746	-
Total assets	134,040,639	1,091,681	29,072,158	164,204,478	1,821,983
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,028,584	-	99,283	1,127,867	-
Deferred outflows of resources - TMRS	556,069	-	7,607	563,676	-
Deferred outflows of resources - OPEB	11,479	-	369	11,848	-
Total deferred outflows of resources	1,596,132	-	107,259	1,703,391	-
LIABILITIES					
Current liabilities:					
Accounts payable	1,340,343	532,648	28,988	1,901,979	332,028
Accrued liabilities	106,617	1,732	1,877	110,226	3,830
Due to other funds	-	-	-	-	-
Accrued interest payable	496	-	11,798	12,294	-
Retainage payable	45,845	-	15,940	61,785	-
Customer deposits	834,997	-	-	834,997	-
Compensated absences	15,351	-	119	15,470	-
Capital lease payable	145,415	-	51,339	196,754	-
Bonds payable	3,342,101	-	255,000	3,597,101	-
Total current liabilities	5,831,165	534,380	365,061	6,730,606	335,858
Current liabilities payable from restricted assets:					
Accounts payable	430,274	-	-	430,274	-
Accrued interest payable	122,096	-	-	122,096	-
Retainage payable	348,736	-	2,000	350,736	-
Total current liabilities payable from restricted assets	901,106	-	2,000	903,106	-
Total current liabilities	6,732,271	534,380	367,061	7,633,712	335,858

(continued)

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Statement of Net Position – Continued
Proprietary Funds
September 30, 2020

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
LIABILITIES (Continued)					
Noncurrent liabilities:					
Compensated absences	\$ 154,147	\$ -	\$ 1,272	\$ 155,419	\$ -
Net pension liability	920,067	-	28,671	948,738	-
Net OPEB liability	216,155	-	8,191	224,346	-
Capital lease payable	37,280	-	52,354	89,634	-
Bonds payable	34,521,793	-	1,668,488	36,190,281	-
Total noncurrent liabilities	35,849,442	-	1,758,976	37,608,418	-
Total liabilities	42,581,713	534,380	2,126,037	45,242,130	335,858
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - TMRS	599,035	-	16,874	615,909	-
Deferred inflows of resources - OPEB	46,677	-	1,317	47,994	-
Total deferred inflows of resources	645,712	-	18,191	663,903	-
NET POSITION					
Net investment in capital assets	69,724,532	5,597	24,745,593	94,475,722	-
Restricted for:					
Debt service	4,142,581	-	-	4,142,581	-
Unrestricted	18,542,233	551,704	2,289,596	21,383,533	1,486,125
Total net position	\$ 92,409,346	\$ 557,301	\$ 27,035,189	\$ 120,001,836	\$ 1,486,125

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2020

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
OPERATING REVENUES					
Charges for sales and services:					
Charges for services	\$ 32,827,177	\$ 6,414,887	\$ 1,402,172	\$ 40,644,236	\$ 6,270,741
Miscellaneous	28,950	2,606	-	31,556	864,881
Total operating revenues	32,856,127	6,417,493	1,402,172	40,675,792	7,135,622
OPERATING EXPENSES					
Personnel services	2,970,876	36,074	102,595	3,109,545	99,042
Water supply	9,486,802	-	-	9,486,802	-
Wastewater treatment	4,407,144	-	-	4,407,144	-
Contractual services	512,389	-	30,836	543,225	5,964,106
Maintenance, repairs and supplies	1,604,811	-	269,176	1,873,987	-
Utilities	362,763	-	-	362,763	-
Legal and professional	71,592	-	113	71,705	-
Refuse collection	-	5,844,624	-	5,844,624	-
Depreciation	6,324,070	5,223	1,187,688	7,516,981	-
Intragovernmental charges	2,369,836	583,236	64,008	3,017,080	157,260
Miscellaneous	446	-	-	446	85,470
Total operating expenses	28,110,729	6,469,157	1,654,416	36,234,302	6,305,878
OPERATING INCOME (LOSS)	4,745,398	(51,664)	(252,244)	4,441,490	829,744
NONOPERATING REVENUES (EXPENSES)					
Investment income	344,160	3,535	28,304	375,999	52
Gain on disposition of assets	-	-	4,255	4,255	-
Interest and fiscal charges	(1,217,477)	-	(71,484)	(1,288,961)	-
Total nonoperating revenues (expenses)	(873,317)	3,535	(38,925)	(908,707)	52
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	3,872,081	(48,129)	(291,169)	3,532,783	829,796
Capital contributions	14,014,701	-	4,313,663	18,328,364	-
Transfers out	(1,642,806)	-	(99,996)	(1,742,802)	-
CHANGE IN NET POSITION	16,243,976	(48,129)	3,922,498	20,118,345	829,796
TOTAL NET POSITION, BEGINNING	76,165,370	605,430	23,112,691	99,883,491	656,329
TOTAL NET POSITION, ENDING	\$ 92,409,346	\$ 557,301	\$ 27,035,189	\$ 120,001,836	\$ 1,486,125

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2020

	Enterprise			Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Self-insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 33,935,376	\$ 6,393,847	\$ 1,409,511	\$ 41,738,734
Cash received from miscellaneous	28,950	2,606	-	31,556
Cash paid to employees for services	(2,885,294)	(36,074)	(100,436)	(3,021,804)
Cash paid for goods and services	(18,738,253)	(6,396,591)	(361,833)	(25,496,677)
Net cash provided by (used in) operating activities	12,340,779	(36,212)	947,242	13,251,809
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(1,642,806)	-	(99,996)	(1,742,802)
Net cash used in noncapital financing activities	(1,642,806)	-	(99,996)	(1,742,802)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	(4,057,781)	-	(320,371)	(4,378,152)
Interest and fiscal charges paid on capital debt	(583,340)	-	(98,709)	(682,049)
Proceeds from capital debt	6,590,000	-	-	6,590,000
Acquisition and construction of capital assets	(7,534,825)	-	(335,786)	(7,870,611)
Proceeds from sale of capital assets	-	-	4,255	4,255
Net cash used in capital and related financing activities	(5,585,946)	-	(750,611)	(6,336,557)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	344,160	3,535	28,304	375,999
Net cash provided by investing activities	344,160	3,535	28,304	375,999
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,456,187	(32,677)	124,939	5,548,449
CASH AND CASH EQUIVALENTS, BEGINNING	28,289,499	161,623	2,067,599	30,518,721
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 33,745,686</u>	<u>\$ 128,946</u>	<u>\$ 2,192,538</u>	<u>\$ 36,067,170</u>
CLASSIFIED AS:				
Current assets - unrestricted	16,140,913	128,946	2,192,538	18,462,397
Current assets - restricted, bond funds	4,142,581	-	-	4,142,581
Noncurrent assets - restricted, bond funds	8,965,798	-	-	8,965,798
Noncurrent assets - restricted, impact fee funds	3,488,032	-	-	3,488,032
Noncurrent assets - restricted, offsite wastewater project	1,008,362	-	-	1,008,362
TOTAL CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 33,745,686</u>	<u>\$ 128,946</u>	<u>\$ 2,192,538</u>	<u>\$ 36,067,170</u>
(continued)				

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Statement of Cash Flows – Continued
Proprietary Funds
For the Fiscal Year Ended September 30, 2020

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES					
Operating income (loss)	\$ 4,745,398	\$ (51,664)	\$ (252,244)	\$ 4,441,490	\$ 829,744
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	6,324,070	5,223	1,187,688	7,516,981	-
Changes in assets and liabilities:					
Accounts receivable	663,481	(21,210)	6,454	648,725	(20,877)
Other receivables	467,178	170	885	468,233	58
Prepaid expenses and other assets	1,776	-	-	1,776	(39,136)
Inventory	(31,203)	-	-	(31,203)	-
Accounts payable and accrued liabilities	41,610	31,269	1,906	74,785	(66,199)
Customer and escrow deposits	31,403	-	-	31,403	-
Accrued compensated absences	25,821	-	477	26,298	-
Net pension liability and OPEB obligation	71,245	-	2,076	73,321	-
Total adjustments	7,595,381	15,452	1,199,486	8,810,319	(126,154)
Net cash provided by (used in) operating activities	\$ 12,340,779	\$ (36,212)	\$ 947,242	\$ 13,251,809	\$ 703,590
NONCASH FINANCING AND INVESTING ACTIVITIES:					
Capital contributions	\$ 14,014,701	\$ -	\$ 4,313,663	\$ 18,328,364	\$ -
Gain on disposal of capital assets	-	-	4,255	4,255	-
Total noncash financing and investing activities	\$ 14,014,701	\$ -	\$ 4,317,918	\$ 18,332,619	\$ -

The Notes to the Financial Statements are an integral part of this statement.

City of Rowlett, Texas
Statement of Net Position
Fiduciary Funds
September 30, 2020

	PID Agency Fund	Other Post Employment Benefits Trust Fund
ASSETS		
Restricted Cash	\$ -	\$ 13,878
Investments:		
Money market	16,931,459	-
Equity mutual funds	-	734,687
Fixed income mutual funds	-	468,812
Total investments	<u>16,931,459</u>	<u>1,203,499</u>
Total assets	<u>16,931,459</u>	<u>1,217,377</u>
LIABILITIES		
Liability to bondholders	16,931,459	-
Total liabilities	<u>\$ 16,931,459</u>	<u>-</u>
NET POSITION		
Net position restricted for OPEB		<u>1,217,377</u>
Total net position		<u>\$ 1,217,377</u>

The Notes to the Financial Statements are an integral part of this statement.

City Of Rowlett, Texas
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended September 30, 2020

	Other Post Employment Benefits Trust Fund
ADDITIONS	
Employer contributions	\$ 332,762
Interest income	69,784
Total additions	<u>402,546</u>
DEDUCTIONS	
Administrative expenses	<u>6,613</u>
Total deductions	<u>6,613</u>
Change in net position	395,933
Net position, beginning of year	<u>821,444</u>
Net position, end of year	<u><u>\$ 1,217,377</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Notes to the Basic Financial Statements



City of Rowlett, Texas
Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Rowlett, Texas (City) is a municipal corporation governed by an elected mayor and six-member council. It was incorporated on March 1, 1952, under the provisions of Chapter 11, Title 28, Texas Revised Civil Statutes of 1925. On January 19, 1980, the City adopted a charter making it a home rule city operating under a Council-Manager form of government. The City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of its inhabitants. The City's services include public safety, streets and transportation, water and wastewater, solid waste collection and disposal, environmental health and leisure services.

The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

The City's basic financial statements include all organizations and activities determined to be part of the City's reporting entity.

Discretely Presented Component Unit

The Rowlett Housing Finance Corporation (RHFC) was organized to finance the cost of residential ownership and development that will provide decent, safe and sanitary housing for residents of the City at affordable prices. RHFC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. RHFC is reported as a proprietary entity and maintains their accounts on an accrual basis of accounting. RHFC uses an outside accounting firm to conduct their bookkeeping and accounting. The financial information for RHFC is included in the statements for the period of January 1, 2019 through December 31, 2019. Complete separate December 31, 2019 financial statements for RHFC may be obtained from the City.

(b) Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34, as amended, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the government funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. GASB Statement No. 34 also requires supplementary information such as Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the adopted and modified General Fund budget with actual results for adopted funds.

City of Rowlett, Texas
Notes to the Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements.

(c) Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund-based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

GASB Statement No. 34 also permits the City to report individual non-major funds if officials believe the fund is particularly important to the financial statement's readers. The Refuse Fund is reported as major for this reason.

(d) Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

City of Rowlett, Texas
Notes to the Financial Statements

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments not due within the operating cycle, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered deferred revenue.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then use unrestricted resources as they are needed.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, refuse, and municipal drainage funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The **Capital Projects Fund** accounts for the financing and acquisition of right of way and construction of streets and alleys, buildings, land acquisition and park improvements. Funds are provided primarily through bond sales, impact fees and interest earnings.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of the enterprise. The enterprise operates the water distribution and pump stations, the sewage collection system and lift stations.

City of Rowlett, Texas
Notes to the Financial Statements

The **Refuse Fund** accounts for the activities of the City's residential and commercial trash collection service.

The **Drainage Fund** accounts for the activities of the City's drainage maintenance operations.

Additionally, the City reports the following nonmajor fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes, such as impact fees, police seizure, court fees, grants, etc.

The **Internal Service Fund** is used to account for the City's self-insurance activities provided to other departments or funds of the City on a cost reimbursement basis.

The **Fiduciary Funds** are used to hold assets for the benefit of a third party (OPEB participants and PID) and cannot be used to address activities or obligations of the government. These funds are not incorporated into the government-wide financial statements.

Assets, Liabilities, and Net Position or Equity

(e) Deposits and Investments

Cash in all funds, excluding the City's payroll account and certain escrow accounts, is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash. Investment income resulting from this pooling is allocated to the respective funds based on the sources of the funds invested.

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers a quoted market price at September 30, 2020 to be the fair value of investments.

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, escrow cash with fiscal agent and short-term investments with original maturities of three months or less from the date of acquisition.

(f) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances are calculated based on historical performance and can differ between receivable types. Accounts without the backing of liens or contractual agreements exceeding 365 days are typically written off.

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

City of Rowlett, Texas
Notes to the Financial Statements

(g) Inventories and Prepaid Items

Inventories, which are expended as they are consumed, are recorded using the average cost method and are stated at cost. They are valued at the lower of moving average (i.e., perpetual inventory) cost or market. Unit prices are adjusted as new inventory is added, thus the moving average cost closely represents the cost of goods sold. Other inventories are stated at the lower of cost (first-in, first-out method) or market.

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A reserve for prepaid items and inventories is recognized in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures.

(h) Interfund Transactions and Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds, for example, contribution of capital assets to a proprietary fund, are accounted for as transfers.

(i) Restricted Assets

Assets, consisting of cash and short-term investments, have been set aside on the balance sheet because they represent funds with restricted purposes.

In the proprietary funds, restricted assets are segregated to reflect resources accumulated for debt service, construction funds, or other legal requirements. Debt service amounts are restricted for the current year requirements and also for future years' requirements as required by bond covenants. Construction funds represent resources set aside for construction projects of the Water and Sewer and Drainage Funds.

(j) Capital Assets

Capital assets, which include property, plant, equipment and public domain (infrastructure) assets (e.g. roads, water and sewer lines, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Public infrastructure is capitalized at \$100,000 and an estimated useful life in excess of five years. Contributed assets are recorded at acquisition value at the time received. Assets acquired by lease financing are capitalized over the term of the lease according to the City's capitalization threshold policy. Capital costs that do not materially add to the value of the asset, extend its useful life, or do not otherwise meet the government's capitalization threshold are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Rowlett, Texas
Notes to the Financial Statements

Capital assets of the primary government are depreciated using the straight line with half-year convention method. The estimated useful lives under the policy are as follows:

Buildings, other improvements	20 - 40 years
Alleys, drainage systems, and water and sewer system	25 years
Equipment	3 - 20 years
Streets	10 - 20 years

(k) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions, difference between expected and actual economic experience, and difference between projected and actual earnings – These differences are deferred and amortized.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has the following types of items. The first arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from multiple sources: property taxes, grants, and various fees and assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is related to the Pension and OPEB plans: changes in actuarial assumptions, difference between expected and actual economic experience, and difference between projected and actual earnings. These items are deferred and amortized.

(l) Compensated Absences

City employees earn vacation and sick leave based on length of service. Nonexempt employees are eligible to accumulate compensation time at one and one-half times the hourly rate of pay. At termination, employees are reimbursed for accumulated vacation and compensatory time. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and are typically liquidated with expendable resources in the General Fund.

City of Rowlett, Texas
Notes to the Financial Statements

(m) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Long-term obligations such as the net pension liability and the net other post-employment benefits (OPEB) liability are liquidated with expendable resources in the General Fund.

(n) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The City does not utilize encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation. Since the City intends to honor such commitments, the subsequent year's appropriations will provide authority to complete these transactions. Under the City's budgetary process, appropriations lapse at fiscal year-end, except for capital improvements or contracts in which the City issued a purchase order prior to the end of the year. These encumbrances are re-appropriated and become part of the subsequent year's budget because performance under the executory contract is expected in the next year. Refer to Note 14F for the amount of encumbrances expected to be honored upon performance by the vendor in the next year.

(o) Fund Balance Classification and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

City of Rowlett, Texas

Notes to the Financial Statements

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Fund balances classified as committed can only be used for specific purposes pursuant to Resolution Number RES-011-12 imposed by the City Council, which constitutes the highest level of action and most binding constraint.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council has by resolution authorized the City Manager and/or the Director of Financial Services to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

At the government-wide level, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used for the acquisition, construction or improvements of those assets, net of debt related to any unspent proceeds.

(p) Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

City of Rowlett, Texas
Notes to the Financial Statements

(q) Other Post-Employment Benefits

The fiduciary net position of the City's Other Post-Employment Benefit (OPEB) plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the City's fiduciary net position. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total OPEB Liability is obtained from a report prepared for the City by consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

(r) Deficit Fund Balance

At September 30, 2020, the Grant Fund, a nonmajor governmental fund, had a deficit fund balance of \$422,076. The fund incurred expenditures under a grant that were not reimbursed in a timely manner under the modified accrual basis of accounting to be included in revenue. However, the City anticipates receiving reimbursement for these grants in fiscal year 2021.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Council follows these procedures in establishing the budgets reflected in the financial statements:

- Approximately 60-90 days prior to October 1 of each fiscal year, the City Manager submits a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings and budget work sessions are conducted to obtain taxpayer comments.
- Typically, the City Council enacts the budget by ordinance before September 19th. This allows tax statements to be prepared and mailed in a timely fashion.
- Annual budgets are legally adopted for the General, Debt Service, Capital Projects, Internal Service and Enterprise Funds. Budgets are prepared on a modified accrual basis for the General, Other Governmental, Capital Projects and Debt Service Funds. Enterprise and Internal Service Fund budgets are prepared on an accrual basis, except that capital outlays (exclusive of water and sewer capital projects) and principal payments on debt are budgeted as expenses and depreciation expense is not budgeted. Budgets for the Capital Projects Funds are normally established pursuant to the term of the related bond indentures, that is, on a project basis.
- The level of control is at the fund level. Budget adjustments are transfers of approved funds from one line-item within a department or from one department to another within a fund. Budget adjustments within the same department under \$10,000 may be approved by the Director and Director of Financial Services with notification to the City Manager. Budget adjustments exceeding \$10,000 or between departments within the same fund shall be made at the discretion and approval of the City Manager. Budget amendments, which increase or decrease the total appropriation of a given fund shall be approved by the City Council at a regularly scheduled City Council meeting.

The Budgetary Comparison Schedule, included in the required supplementary information, presents a comparison of budgetary data to actual results of operations for the General Fund in which an annual operating budget was legally adopted.

City of Rowlett, Texas
Notes to the Financial Statements

This schedule utilizes the same basis of accounting for both budgetary purposes and actual results. Budgetary data for the Capital Projects Funds have not been presented in the accompanying supplemental information. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in a Five Year Capital Improvements Plan.

Note 3. Deposits and Investments

The City has adopted Investment Policies, which are in accordance with the laws of the State of Texas, where applicable, specifically the Public Funds Investment Act (PFIA). The policies identify authorized investments and investment terms, collateral requirements, safekeeping requirements for collateral and investments, and certain investment practices. Authorized investments include obligations of the federal government or its agencies and instrumentalities, repurchase agreements, state and local investment pools, SEC regulated money market mutual funds, collateralized or insured certificates of deposit, and prime commercial paper.

State statutes require that all deposits in the financial institutions be fully collateralized by U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's demand deposits were fully collateralized at September 30, 2020 with collateral required by the state statutes. At year-end, the City's deposit balance was fully covered by collateral held by the City's depository bank in the City's name or by FDIC insurance.

The City categorizes its fair value measurements within the three-level fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. Below are the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

City of Rowlett, Texas

Notes to the Financial Statements

The City's investments are measured as presented in the table below. The City's investment balances, weighted average maturity, and credit risk of such investments are as follows:

	September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Maturity (Years)	Rating
Investments Measured at Amortized Cost:							
Texas Local Government Investment Pools							
TexPool	\$ 72,865,630	\$ -	\$ -	\$ -	64.20%	0.003	AAAm
Investments Subject to Fair Value							
Commercial Paper	2,249,159	-	2,249,159	-	1.98%	0.240	P-1
U.S. Agencies	17,171,122	-	17,171,122	-	15.13%	2.130	Aaa
U.S. Treasuries Bond/Note	18,668,610	-	18,668,610	-	16.45%	1.160	Aaa
U.S. Treasuries Bill	2,539,363	-	2,539,363	-	2.24%	0.250	P-1
Total Value	\$ 113,493,884	\$ -	\$ 40,628,254	\$ -		1.460	

The City invests in Texas Local Government Investment Pool (TexPool), an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. The fair value of the City's position in the pool is the same as the value of pool shares.

The TexPool investment pool is an external investment pool measured at amortized cost to report net position to compute share prices. Accordingly, the fair value of the position in this pool is the same as the value of the shares in the pool. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less, and has a weighted average life of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium, or national or state emergency that affects the pools' liquidity.

This local government investment pool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Texas Local Government Investment Pool (TexPool) is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

The Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

As of September 30, 2020, the City has the recurring fair value measurements for commercial paper, agencies, treasury bonds/notes, and treasury bills of \$40,628,254 valued using quoted prices for similar assets in active markets (Level 2).

City of Rowlett, Texas

Notes to the Financial Statements

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City's investment policy states that the overall weighted average maturity of principal return for the entire portfolio shall be less than two (2) years. By policy, the City will not directly invest in securities maturing more than five years from the date of purchase.

Credit Risk. The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (Commercial Paper, FHLB, FHLMC, and US TSY) are individually rated by Standard & Poor's and by Moody's Investors Service (see table above). As of September 30, 2020, investments in the Texas Local Government Pool (TexPool) carried a credit rating of AAAM by Standard & Poor's. US Treasuries are backed by the full faith and credit of the US Government.

Concentration of Credit Risk. With the exception of U.S. Treasury securities and State Local Government Pools, the City's investment policy limits the amount that may be invested in any one issuer to 40% of the total investment portfolio. The City's investment policy also has stricter restrictions for commercial paper, CD's, repurchase agreements, mutual funds and other investments. As of September 30, 2020, 35.80% of the City's total investments are in the following: Federal Home Loan Banks (0.84%), Federal Home Loan Mortgage Corporation (4.19%), Fannie Mae (10.11%), US Treasury Bills (2.24%), US Treasury Bonds/Notes (16.45%), and Commercial Paper (1.97%) on a fair value basis. The remaining 64.20% is in TexPool.

Custodial Credit Risk – Deposits. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the City may not be able to recover its deposits. The City's investment policy follows state statutes, which require that all deposits in financial institutions be fully collateralized or insured. As of September 30, 2020, the City's bank balance was \$10,993,475, and none of that amount was exposed to custodial credit risk at year-end.

Custodial Credit Risk – Investments. For investments, custodial credit risk is the risk that in the event of the failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all investments held by outside parties for safekeeping be held in the name of the City. The City was not exposed to any custodial credit risk at year-end.

Note 4. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Taxes are due October 1 and become delinquent after the following January 31. Penalty and interest is charged at 7% on delinquent taxes beginning February 1 and increases each month to a maximum of 18% on July 1. Assessed values are established at 100% of estimated market value and certified by the Board of Equalization. The assessed value for the roll of January 1, 2019, upon which the fiscal year 2020 levy was based, was \$5,412,142,896.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. However, on May 3, 2003, the citizens of Rowlett approved modifications to the City's Home Rule Charter, including a provision to cap the levy of property taxes at \$1.25 per \$100 of assessed valuation.

The tax rate for the year ended September 30, 2020 was \$.757173 per \$100, of which \$.537563 was allocated for general government and \$.219610 was allocated for the payment of principal and interest on general obligation debt. Taxes are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Tax collections, including past delinquencies, for the year ended September 30, 2020, were 99.42% of the tax levy.

City of Rowlett, Texas
Notes to the Financial Statements

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every four years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the no-new-revenue rate by 3.5% (or 8% in case of a disaster declaration), an election is automatically held to either uphold the proposed tax rate or lower it to the no-new-revenue rate.

This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district. As of September 1, 1997, the City contracted with Dallas County to bill and collect the City's property taxes.

Note 5. Receivables

Receivables as of the year end for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Water and Sewer	Refuse	Drainage	Internal Service	Total
Interest	\$ 10,559	\$ 826	\$ 39,716	\$ 5,169	\$ 19,788	\$ 106	\$ 1,560	\$ 67	\$ 77,791
Court	-	-	-	673	-	-	-	-	673
Ambulance	806,354	-	-	-	-	-	-	-	806,354
Lot mowing	259,583	-	-	-	-	-	-	-	259,583
Sales tax	1,306,020	-	-	-	-	-	-	-	1,306,020
Hotel/motel tax	-	-	-	1,195	-	-	-	-	1,195
Property tax	424,903	181,520	-	118	-	-	-	-	606,541
Customer accounts	-	-	127,056	-	5,464,369	1,017,313	214,941	-	6,823,679
Other accounts	159,502	-	-	4,995	7,381	1,591	-	36,945	210,414
Franchise fees	889,810	-	-	32,981	-	-	-	-	922,791
911 fees	34,969	-	-	-	-	-	-	-	34,969
Note, noncurrent	-	-	-	-	13,759	-	-	-	13,759
Gross receivables	3,891,700	182,346	166,772	45,131	5,505,297	1,019,010	216,501	37,012	11,063,769
Less: allowance for uncollectibles	(651,910)	(19,977)	(4,513)	-	(203,077)	(61,872)	(10,372)	-	(951,721)
Net total receivables	<u>\$3,239,790</u>	<u>\$ 162,369</u>	<u>\$ 162,259</u>	<u>\$ 45,131</u>	<u>\$ 5,302,220</u>	<u>\$ 957,138</u>	<u>\$ 206,129</u>	<u>\$ 37,012</u>	<u>\$ 10,112,048</u>

City of Rowlett, Texas
Notes to the Financial Statements

Revenue Recognition

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property tax receivable	\$ 540,192	\$ -
Ambulance	250,465	-
Mowing liens	220,645	-
Intergovernmental	898,275	57,862
Franchise Fees	189,722	-
Other	18,531	23,563
Total unavailable/unearned revenue for governmental funds	<u>\$ 2,117,830</u>	<u>\$ 81,425</u>

Note 6. Capital Assets

Capital asset activity as of September 30, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Adjustments/ Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 29,672,044	\$ -	\$ -	\$ -	\$ 29,672,044
Construction in progress	18,440,481	8,913,457	-	(9,674,075)	17,679,863
Total capital assets not being depreciated	<u>48,112,525</u>	<u>8,913,457</u>	<u>-</u>	<u>(9,674,075)</u>	<u>47,351,907</u>
Capital assets being depreciated:					
Buildings	22,706,972	404,253	(328,514)	1,572,909	24,355,620
Improvements other than buildings	29,867,867	2,580,332	-	-	32,448,199
Machinery and equipment	22,117,526	848,570	(370,873)	-	22,595,223
Infrastructure	143,272,864	14,472,862	-	8,101,166	165,846,892
Total capital assets being depreciated	<u>217,965,229</u>	<u>18,306,017</u>	<u>(699,387)</u>	<u>9,674,075</u>	<u>245,245,934</u>
Less accumulated depreciation:					
Buildings	(9,612,575)	(630,742)	142,006	-	(10,101,311)
Improvements other than buildings	(22,602,024)	(1,106,633)	-	-	(23,708,657)
Machinery and equipment	(16,661,952)	(1,900,050)	327,208	-	(18,234,794)
Infrastructure	(98,874,934)	(6,594,941)	-	-	(105,469,875)
Total accumulated depreciation	<u>(147,751,485)</u>	<u>(10,232,366)</u>	<u>469,214</u>	<u>-</u>	<u>(157,514,637)</u>
Total capital assets being depreciated, net	<u>70,213,744</u>	<u>8,073,651</u>	<u>(230,173)</u>	<u>9,674,075</u>	<u>87,731,297</u>
Governmental activities capital assets, net	<u>\$ 118,326,269</u>	<u>\$ 16,987,108</u>	<u>\$ (230,173)</u>	<u>\$ -</u>	<u>\$ 135,083,204</u>

City of Rowlett, Texas
Notes to the Financial Statements

	Beginning Balance	Additions	Retirements	Adjustments/ Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,010,080	\$ 34,542	\$ -	\$ -	\$ 1,044,622
Construction in progress	2,085,306	13,182,528	-	(1,281,641)	13,986,193
Total capital assets not being depreciated	3,095,386	13,217,070	-	(1,281,641)	15,030,815
Capital assets being depreciated:					
Buildings	1,100,819	-	-	-	1,100,819
Improvements other than buildings	3,825,032	-	-	-	3,825,032
Machinery and equipment	10,497,571	660,064	(324,177)	-	10,833,458
Infrastructure	193,260,433	12,615,889	-	1,281,641	207,157,963
Total capital assets being depreciated	208,683,855	13,275,953	(324,177)	1,281,641	222,917,272
Less accumulated depreciation:					
Buildings	(601,652)	(28,458)	-	-	(630,110)
Improvements other than buildings	(369,372)	(239,579)	-	-	(608,951)
Machinery and equipment	(8,752,488)	(879,739)	324,177	-	(9,308,050)
Infrastructure	(100,063,976)	(6,369,205)	-	-	(106,433,181)
Total accumulated depreciation	(109,787,488)	(7,516,981)	324,177	-	(116,980,292)
Total capital assets being depreciated, net	98,896,367	5,758,972	-	1,281,641	105,936,980
Business-type activities capital assets, net	\$ 101,991,753	\$ 18,976,042	\$ -	\$ -	\$ 120,967,795

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 586,990
Public safety	1,532,967
Public works	7,106,430
Culture and recreation	971,266
Community development	34,713
Total depreciation expense - governmental activities	<u>\$ 10,232,366</u>
Business-type activities:	
Water and sewer	\$ 6,324,070
Refuse	5,223
Drainage	1,187,688
Total depreciation expense - business-type activities	<u>\$ 7,516,981</u>

City of Rowlett, Texas
Notes to the Financial Statements

Note 7. Employee's Retirement System

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to 100% of what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

The City can grant, as often as annually, another type of monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, the City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
	20 years at any age, 5
	years at age 60 and
Service retirement eligibility	above
Updated service credit	100% repeating
Annuity increase (to retirees)	50% of CPI repeating

The City does not participate in Social Security.

City of Rowlett, Texas
Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	250
Inactive employees entitled to but not yet receiving benefits	280
Active employees	408
	<u>938</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.85% and 13.05% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ending September 30, 2020, were \$3,668,493, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

City of Rowlett, Texas
Notes to the Financial Statements

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Rowlett, Texas
Notes to the Financial Statements

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 133,624,981	\$ 113,318,600	\$ 20,306,381
Changes for the year:			
Service cost	4,583,856	-	4,583,856
Interest	9,001,835	-	9,001,835
Difference between expected and actual experience	347,501	-	347,501
Changes of assumptions	328,627	-	328,627
Contributions - employer	-	3,570,170	(3,570,170)
Contributions - employee	-	1,949,392	(1,949,392)
Net investment income	-	17,526,632	(17,526,632)
Benefit payments, including refunds of employee contributions	(5,112,776)	(5,112,776)	-
Administrative expense	-	(98,989)	98,989
Other changes	-	(2,974)	2,974
Net changes	9,149,043	17,831,455	(8,682,412)
Balance at 12/31/2019	\$ 142,774,024	\$ 131,150,055	\$ 11,623,969

Sensitivity of the net pension liability to changes in the discount rate –

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 33,279,398	\$ 11,623,969	\$ (6,005,757)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$4,733,863.

City of Rowlett, Texas
Notes to the Financial Statements

At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 612,651	\$ -
Changes in actuarial assumptions	247,082	-
Difference between projected and actual investment earnings	-	4,001,442
Contributions subsequent to the measurement date	2,691,638	-
Total	<u>\$ 3,551,371</u>	<u>\$ 4,001,442</u>

\$2,691,638 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's financial statements September 30, 2021).

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement year ended December 31:	
2020	\$ (793,178)
2021	(844,429)
2022	466,388
2022	<u>(1,970,490)</u>
Total	<u>\$ (3,141,709)</u>

Note 8. Other Post-Employment Benefits (OPEB)

Post-retirement Health Care Benefits

Plan Description

The City offers its retired employees health insurance benefits through a single-employer defined benefit OPEB plan, under City policy. The benefit plan was established by the City in 2002 and last amended in 2005. No separate pension plan report is issued. This plan is administered by the City and no separate audited financial statements are available.

Benefits Provided

Retired employees who have satisfied the retirement requirement as defined by the Texas Municipal Retirement System (TMRS) are eligible to participate. The City has elected the retirement requirement as any age with 20 years of service or 5 years of service for age 60 and above. Retirees under 65 retiring under the TMRS system are eligible to receive premium payments of individual (not dependent) health insurance benefits for a period of time equal to one month for every full year of service with the City. Employees are eligible immediately upon retirement and the eligibility only runs from the retirement date. Active employees do not contribute any of their wage toward retiree health care benefits.

City of Rowlett, Texas
Notes to the Financial Statements

The City pays the employee-only premium for medical coverage, based on the City's Core Medical Plan Option. Retired employees are required to pay 100% of any additional premium expense for health benefits purchased upon retirement. Spouse and eligible dependents are eligible to continue to purchase health benefits per Chapter 175 provisions. The City does not pay any portion of spouse or dependent medical coverage.

As of the December 31, 2019 biennial actuarial valuation, the Trust's membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	12
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	389
Total Plan Members	401

Contributions and Funding Policy

The City has the authority to establish and amend the plan contributions by resolution of the City Council. The City contributes to the trust on an annual basis. Contributions by the City are established as part of the annual budget process and are based on amounts determined in the actuarial study prepared biennially. The City pays the retiree-only premium for medical coverage based on the City's Core Medical Plan Option for one month for each full year of service with the City of Rowlett.

Net OPEB Liability

The actuarial valuation was performed as of December 31, 2019.

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date: December 31, 2019

Methods and Assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	6.75% as of December 31, 2019
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Healthcare Cost Trend Rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years; Post-65: Initial rate of 5.50% declining to an ultimate rate of 4.15% after 14 years;
Participation Rates	It was assumed that 85% of retirees during the funded period and 10% of retirees after the funded period would choose to receive retiree health care benefits through the City. No employees retiring before the age of 50 were assumed to continue their health coverage through the City.

City of Rowlett, Texas

Notes to the Financial Statements

Notes

The healthcare trend assumption was updated to better reflect the plan's anticipated experience and the repeal of the "Cadillac Tax".

Rate of Return

The long-term rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of December 31, 2019.

Asset Class:	Target Allocation	Expected Rate of Return
Equity:		
Large Cap Core	32.00%	7.50%
Mid Cap Core	6.00%	7.80%
Small Cap Core	9.00%	8.70%
Real Estate	2.00%	6.70%
International	7.00%	7.80%
Emerging Markets	4.00%	7.80%
Fixed Income:		
Short Term Bond	6.75%	3.30%
Intermediate Term Bond	27.00%	4.10%
High Yield	1.25%	6.90%
Cash	5.00%	2.40%

Discount Rate

A single discount rate of 6.75% was used to measure the total OPEB liability. Based on the stated assumptions and the projection of cash flows as of each plan year, the OPEB plan's fiduciary net position and future contributions were sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning Balance	\$ 3,917,618	\$ 724,232	\$ 3,193,386
Service cost	189,521	-	189,521
Interest on total OPEB liability	266,296	-	266,296
Difference between expected and actual experience	(487,619)	-	(487,619)
Changes of assumptions	(98,891)	-	(98,891)
Employer contributions	-	467,264	(467,264)
Net investment income	-	148,253	(148,253)
Benefit payments	(134,502)	(134,502)	-
Administrative expenses	-	(4,636)	4,636
Net changes	(265,195)	476,379	(741,574)
Ending Balance	\$ 3,652,423	\$ 1,200,611	\$ 2,451,812

City of Rowlett, Texas
Notes to the Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher than the current discount rate.

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption		
1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.75%	6.75%	7.75%
\$ 2,770,599	\$ 2,451,812	\$ 2,163,764

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate.

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption		
1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 2,084,867	\$ 2,451,812	\$ 2,881,399

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$315,277. At September 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 527,692
Changes in assumptions	-	87,995
Difference in expected and actual investment earnings	-	34,374
Contributions subsequent to the measurement date	147,981	-
Total	\$ 147,981	\$ 650,061

City of Rowlett, Texas
Notes to the Financial Statements

Deferred outflows of resources of \$147,981 related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for fiscal year 2021. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense in the following fiscal years:

2021	\$	(85,216)
2022		(85,216)
2023		(81,085)
2024		(95,926)
2025		(78,267)
Thereafter		(224,351)
Total	\$	<u>(650,061)</u>

Note 9. Long-Term Debt

A summary of long-term debt transactions, including the current portion, as of September 30, 2020, was as follows:

	Balance October 1, 2019	Issued Incurred	Retired or Refunded	Balance September 30, 2020	Due Within One Year
Governmental activities					
General obligation bonds	\$ 88,351,413	\$ 18,185,000	\$ 6,614,138	\$ 99,922,275	\$ 7,087,899
Combined tax and surplus revenue certificates of obligation	2,220,000	-	170,000	2,050,000	175,000
Limited tax notes	1,785,000	-	790,000	995,000	810,000
Capital leases	1,683,805	875,253	708,639	1,850,419	414,685
Bond premiums	5,913,643	2,313,636	763,267	7,464,012	-
Compensated absences	3,378,908	312,301	33,442	3,657,767	331,190
Net pension liability	18,723,827	-	8,048,596	10,675,231	-
Net OPEB liability	2,914,905	-	687,439	2,227,466	-
Governmental activities long-term debt	\$ 124,971,501	\$ 21,686,190	\$ 17,815,521	\$ 128,842,170	\$ 8,818,774
Business-type activities					
Water and sewer revenue bonds	\$ 26,450,000	\$ 6,590,000	\$ 2,160,000	\$ 30,880,000	\$ 2,095,000
General obligation bonds	8,198,587	-	1,475,862	6,722,725	1,502,101
Capital leases	1,028,678	-	742,290	286,388	196,754
Bond premiums	1,749,647	755,613	320,603	2,184,657	-
Compensated absences	144,591	26,298	-	170,889	15,470
Net pension liability	1,582,554	-	633,816	948,738	-
Net OPEB liability	278,481	-	54,135	224,346	-
Business-type activities long-term debt	\$ 39,432,538	\$ 7,371,911	\$ 5,386,706	\$ 41,417,743	\$ 3,809,325

For the governmental activities, the net pension liability and the other post-employment benefit liability are generally liquidated by the General Fund.

City of Rowlett, Texas
Notes to the Financial Statements

Long-term debt for governmental activities at September 30, 2020 includes the following individual issues:

	Original Issue Amount	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Governmental activities					
General obligation bonds:					
2010 Refunding	10,825,000	2.00-3.00	2/15/22	\$ 1,810,000	\$ 1,050,000
2011 Refunding	7,860,000	2.00-4.00	2/15/23	2,235,000	725,000
2012 Refunding	6,271,149	2.00-5.00	2/15/29	2,767,275	637,899
2013 Refunding	7,385,000	2.50-5.00	2/15/25	7,220,000	1,340,000
2014 Refunding	3,750,000	3.00-4.40	8/15/39	3,130,000	115,000
2015 Refunding and improvements	29,460,000	3.00-5.00	2/15/35	15,195,000	1,365,000
2016 Various purpose	4,105,000	4.00-5.00	2/15/36	3,780,000	170,000
2017 Various purpose	10,930,000	2.00-5.00	2/15/37	9,310,000	410,000
2018 Various purpose	19,255,000	3.00-5.00	2/15/38	18,270,000	460,000
2019 Various purpose	18,285,000	3.00-5.00	2/15/39	18,020,000	360,000
2020 Various purpose	18,185,000	2.00-5.00	2/15/40	18,185,000	455,000
				<u>99,922,275</u>	<u>7,087,899</u>
Combination tax and revenue certificates of obligation:					
2015 Various purpose	2,885,000	3.00 - 4.00	2/15/30	2,050,000	175,000
				<u>2,050,000</u>	<u>175,000</u>
Tax notes					
2015 Tax note	1,235,000	0.63 - 2.02	2/15/22	365,000	180,000
2018 Tax note	1,800,000	2.757	2/15/21	630,000	630,000
				<u>995,000</u>	<u>810,000</u>
Total governmental activities long-term bonded debt				102,967,275	8,072,899
Plus:					
Premiums and discounts				<u>7,464,012</u>	<u>-</u>
Net government activities long-term bonded debt				<u>\$ 110,431,287</u>	<u>\$ 8,072,899</u>

City of Rowlett, Texas
Notes to the Financial Statements

Long-term debt for business activities at September 30, 2020 includes the following individual issues:

	Original Issue Amount	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities					
Utility system revenue bonds:					
2012 Various purpose	8,525,000	2.00-3.50	3/1/32	\$ 5,670,000	\$ 400,000
2014 Various purpose	4,825,000	1.00-4.00	3/1/34	3,740,000	205,000
2015 Refunding	12,330,000	1.50-5.00	3/1/26	5,750,000	955,000
2018 Various purpose	4,775,000	3.375-5.00	3/1/38	4,480,000	160,000
2019 Various purpose	4,810,000	3.00-5.00	3/1/39	4,650,000	170,000
2020 Various purpose	6,590,000	2.00-5.00	3/1/40	6,590,000	205,000
				<u>30,880,000</u>	<u>2,095,000</u>
General obligation bonds:					
2011 Refunding	1,140,000	2.00-4.00	2/15/23	140,000	140,000
2012 Refunding	10,883,851	2.00-5.00	2/15/29	4,802,725	1,107,101
2015 Refunding	2,780,000	3.00-5.00	2/15/26	1,780,000	255,000
				<u>6,722,725</u>	<u>1,502,101</u>
Total business-type activities long-term bonded debt				37,602,725	3,597,101
Plus:					
Premiums and discounts				2,184,657	-
Net business-type activities long-term bonded debt				<u>\$ 39,787,382</u>	<u>\$ 3,597,101</u>

The annual requirements to amortize general and certificates of obligations bonds as of September 30, 2020 are summarized below:

Year Ended September 30,	General and Certificates of Obligation Bonds					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 8,072,899	\$ 3,810,309	\$ 11,883,208	\$ 1,502,101	\$ 291,571	\$ 1,793,672
2022	7,560,316	3,473,418	11,033,734	1,429,684	224,512	1,654,196
2023	7,380,044	3,144,853	10,524,897	1,504,956	151,146	1,656,102
2024	7,018,427	2,843,139	9,861,566	1,581,573	73,983	1,655,556
2025	6,545,483	2,550,894	9,096,377	329,517	26,289	355,806
2026-2030	23,810,106	9,269,380	33,079,486	374,894	10,717	385,611
2031-2035	25,140,000	4,629,600	29,769,600	-	-	-
2036-2040	17,440,000	957,535	18,397,535	-	-	-
Total	<u>\$ 102,967,275</u>	<u>\$ 30,679,128</u>	<u>\$ 133,646,403</u>	<u>\$ 6,722,725</u>	<u>\$ 778,218</u>	<u>\$ 7,500,943</u>

City of Rowlett, Texas
Notes to the Financial Statements

The annual requirements to amortize water and sewer revenue bonds as of September 30, 2020 are summarized below:

Year Ended September 30,	Water and Sewer Revenue Bonds		
	Principal	Interest	Total
2021	\$ 2,095,000	\$ 1,104,376	\$ 3,199,376
2022	2,170,000	1,026,788	3,196,788
2023	2,250,000	949,866	3,199,866
2024	2,350,000	858,881	3,208,881
2025	2,460,000	751,731	3,211,731
2026-2030	8,220,000	2,569,791	10,789,791
2031-2035	7,035,000	1,060,081	8,095,081
2036-2040	4,300,000	233,788	4,533,788
Total	<u>\$ 30,880,000</u>	<u>\$ 8,555,302</u>	<u>\$ 39,435,302</u>

As of September 30, 2020, the City had authorized but unissued general obligation bonds outstanding as follows:

Date	Purpose	Amount Authorized	Previously Issued	Unissued Balance
5/5/2018	Streets and drainage	\$ 41,470,000	\$ 41,470,000	\$ -
5/5/2018	Parks and recreation	8,955,000	8,955,000	-
5/5/2018	Public safety	9,485,000	9,485,000	-
		<u>\$ 59,910,000</u>	<u>\$ 59,910,000</u>	<u>\$ -</u>

Bond Issuances

On August 20, 2020, the City issued "City of Rowlett, Texas, General Obligation Bonds, Series 2020," totaling \$18,185,000 to finance the construction and improvement of city streets and drainage, municipal parks and recreation facilities and public safety facilities. These bonds incur an average cost over the life of the bonds at a rate of 2.00-5.00% and mature annually with semi-annual interest payments. The bonds will fully mature in 2040.

On August 20, 2020, the City issued "City of Rowlett, Texas, Waterworks and Sewer System Revenue Bonds, Series 2020," totaling \$6,590,000 to finance acquiring, constructing, installing and equipping additions, improvements and extensions to the City's waterworks and sewer system. These bonds incur an average cost over the life of the bonds at a rate of 2.00-5.00% and mature annually with semi-annual interest payments. The bonds will fully mature in 2040.

City of Rowlett, Texas
Notes to the Financial Statements

Revenue Bonds

Revenue Bonds are used to finance the acquisition of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the debt service fund and third to establish and maintain a required reserve fund. Any net revenues remaining may be used for any lawful purpose.

The bond indenture requires the City to make equal monthly installments to a debt service fund to pay principal and interest requirements as they become due. At September 30, 2020, a balance of \$2,243,165 is restricted within the water and sewer fund for debt service requirements. The reserve fund is required to be maintained in an amount at least equal to the average annual debt service requirements of the bonds similarly secured. No additional deposit to the reserve fund will be required upon issuance of the bonds. At September 30, 2020, a balance of \$1,899,415 is restricted within the water and sewer reserve fund.

For fiscal year 2020, net revenue available for debt service was 5.79 times the average annual debt service requirement. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain required amounts and certain financial ratios are met.

Compliance with Debt Covenants

At September 30, 2020, and for the year then ended, the City was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt.

Capital Leases

In fiscal year 2020, the City entered into an agreement with US Bancorp Government Leasing and Financing, Inc. to purchase two ambulances and bunker gear. The agreement is for a four year term based on delivery of equipment and expires on August 10, 2024. Payments are \$181,239 annually and carry an effective interest rate of 1.57%.

The City previously entered into an agreement with US Bancorp Government Leasing and Financing, Inc. to purchase a patch truck, backhoes, and a Gradall excavator. The agreement is for an approximate ninety month term based on delivery of equipment and expires on July 15, 2022. Payments are \$116,620 annually and carry an effective interest rate of 1.905%.

The City previously entered into an agreement with US Bancorp Government Leasing and Financing, Inc. to purchase fire trucks. The agreement is for an approximate 127 month term based on delivery of equipment and expires on November 1, 2024. Payments are \$198,831 annually and carry an effective interest rate of 2.01%.

The City previously entered into an agreement with Whitney Bank to purchase three maintenance trucks. The agreement is for an approximate 86 month term based on delivery of equipment and expires on August 22, 2021. Payments are \$110,546 annually and carry an effective interest rate of 1.632%.

City of Rowlett, Texas
Notes to the Financial Statements

The City previously entered into an agreement with Pinnacle Public Finance Inc. to purchase a self-contained breathing apparatus. The agreement is for an approximate 108 month term based on delivery of the equipment and expires on October 31, 2023. Payments are \$44,683 annually and carry an effective interest rate of 2.63%.

The assets acquired through capital leases are as follows:

	Water and Sewer	Governmental Activities	Total
Asset:			
Motor vehicles	\$ 1,009,573	\$ 3,061,966	\$ 4,071,539
Machinery and equipment	5,344,261	2,021,704	7,365,965
Less: accumulated depreciation	(6,160,434)	(4,866,786)	(11,027,220)
Total	<u>\$ 193,400</u>	<u>\$ 216,884</u>	<u>\$ 410,284</u>

Pursuant to the terms of the capital lease agreements, the following schedule represents the net present value of these minimum lease payments as of September 30:

Year Ending September 30,	Water and Sewer	Governmental Activities	Total
2021	\$ 201,942	\$ 449,979	\$ 651,921
2022	91,357	450,017	541,374
2023	-	424,754	424,754
2024	-	424,754	424,754
2025	-	198,831	198,831
Thereafter	-	-	-
Total minimum lease payments	293,299	1,948,335	2,241,634
Less: amount representing interest	(6,911)	(97,916)	(104,827)
Present value of minimum lease payments	<u>\$ 286,388</u>	<u>\$ 1,850,419</u>	<u>\$ 2,136,807</u>

Special Assessment Bonds

Special assessment bonds are used to finance the acquisition and construction of certain improvement projects and related debt issuance reserves and costs pertaining to public improvement districts. These bonds will be repaid from amounts levied against property owners benefitted by this construction. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment bonds. The bonds are secured by and payable from a first lien on and pledge of the Trust Estate. The City is only acting as an agent for the property owners and is in no way liable for repayment. The bonds have a stated rate of interest of 4.90-6.68 percent and are payable over the next 27 years.

	Sale Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding
South	9/18/2017	\$ 36,450,000	6.68	9/15/2047	\$ 36,005,000
North	3/15/2016	\$ 13,515,000	4.90 - 6.00	9/15/2046	\$ 8,190,000

City of Rowlett, Texas
Notes to the Financial Statements

Note 10. Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the City purchased commercial insurance from Texas Municipal League (TML), a public entity risk pool, to cover these general liabilities, including worker's compensation. Both TML and the City purchased reinsurance and do not retain the entire risk of loss.

Policy	Retention	Limits of Liability
General Liability	\$2,500 per occurrence	\$2,000,000 per occurrence and \$4,000,000 policy aggregate
Law Enforcement Liability & Errors and Omissions	\$10,000 per occurrence	\$3,000,000 per occurrence and \$6,000,000 policy aggregate
Worker's Compensation	\$0 per occurrence	Statutory
Property Loss	\$1,000 per occurrence	\$104,412,574
Automobile Liability	\$2,500 per occurrence	\$1,000,000 per occurrence and \$25,000 each person
Automobile Physical Damage	\$10,000 per occurrence \$500 each vehicle	Agreed value as scheduled

The City maintains a self-insurance program for health insurance. Group medical benefits are paid from the Self-Insurance Fund (Internal Service Fund), which has an annually negotiated stop loss provision through United Healthcare. Revenues are recognized from payroll deductions from employee dependent coverage and from City contributions for employee coverage. The liabilities for insurance claims reported in the City's Self-Insurance Fund is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported (IBNR) claims. Change in the fund's claim liability in fiscal year 2020 and 2019 is as follows:

Fund		Liability, Beginning of year	Current year Claims and Changes in Estimates	Claim Payments	Liability, End of year
Self-Insurance	2020	\$377,772	\$4,337,670	\$4,385,357	\$330,085
Self-Insurance	2019	\$437,226	\$5,250,397	\$5,309,851	\$377,772

For all insurance categories, there were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

City of Rowlett, Texas
Notes to the Financial Statements

Note 11. Interfund Transactions

A summary of interfund receivables and payables at September 30, 2020 is as follows:

	Due to
	General Fund
Due from	
Nonmajor Governmental Funds	
	\$ 344,243
	<u>\$ 344,243</u>

Interfund receivables and payables are primarily used to account for cash owed between funds that are expected to be repaid within one year or less.

The detail transfer schedule for the year ended September 30, 2020 was as follows:

Transfers from	Transfer to	Amount	Reason for Transfer
General	Capital projects	\$ 1,505,976	Cash fund capital projects
	Debt service	242,540	Debt service payments
	Special Revenue	84,393	Reclass eligible costs
Water and sewer	General	1,642,806	Franchise fee payments
Drainage	Capital projects	99,996	Cash fund capital projects
		<u>\$ 3,575,711</u>	

The City makes transfers between its funds for several reasons. General and administrative (indirect) costs are allocated between operating funds, such as the General Fund and Water and Sewer Fund, to recover overhead and administrative cost of service performed by one fund for the benefit of another. The amounts transferred represent the net balance due between the funds based on the services provided.

A transfer from the Water and Sewer Fund to the General Fund is made for payment in lieu of franchise fees and represents similar charges paid by electric, gas, and cable and telecommunication franchises for use of City rights-of-way. This fee is calculated as 5% of gross revenues less interest earnings.

City of Rowlett, Texas
Notes to the Financial Statements

Note 12. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is administered by ICMA Retirement Corporation (ICMA) and contributions are voluntary. All amounts of compensation under this plan are placed into investment pools administered by ICMA. The plan, available to all regular employees, permits them to defer until future years up to 100% of compensation, not to exceed \$19,500 (\$26,000 if over age 50) per year. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City has amended its deferred compensation plans to conform with the requirements of subsection (g) of IRC Section 457 making all assets and income of the plans to be held in trust for the exclusive benefit of participants and beneficiaries. In accordance with GASB Statement No. 32, the City's Deferred Compensation Plan is no longer included in the financial statements of the City.

Note 13. Tax Abatement

The City of Rowlett enters into economic development agreements designed to promote development and redevelopment within the City, spur economic growth, stimulate commercial activity, generate additional taxes that enhance the property tax base, and provide job opportunities for our citizens. The City's economic development agreements are authorized under Chapter 380 of the Local Government Code; Chapter 311 (Tax Increment Financing Act) and Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive incentives based on employment impact, economic impact or community impact as defined in the City's Policy on Economic Development Incentives. The City Economic Development staff also utilizes a third party software program to measure the economic impact of each project. Each economic development incentive agreement includes performance measures that are required for each recipient to meet and clawback/recapture provisions if such measures are not achieved.

The City has three categories of economic development agreements:

- General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property tax received by the City; may result in fee reductions or waivers including building inspection fees or impact fees; or may make lump sum grant payments for new jobs, tenant improvements, grease traps, infrastructure improvements, or other expenses. For fiscal year 2020 the City of Rowlett rebated \$532,588 in taxes.
- Tax Abatements – The City does not currently have any active tax abatement agreements but will consider them on a case-by-case basis for future projects.
- Tax Increment Financing – The City of Rowlett has two active Tax Increment Financing zones (TIFs) under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payments to developers and represent obligations over the life of the TIF or until all terms of the agreements have been met. For fiscal year 2020 the City of Rowlett reimbursed \$292,641 under the TIF agreements.

City of Rowlett, Texas
Notes to the Financial Statements

Note 14. Commitments and Contracts

The City has several long-term agreements with significant commitments as follows:

(a) North Texas Municipal Water District Water Purchase Agreement – The City has a long-term contract with the North Texas Municipal Water District for the purchase of treated water. The original contract for water is dated June 3, 1965, and is for a period of 40 years. An amendatory contract was approved May 3, 1994 to extend the contract for a period of 30 years from the date of this amendment. Over the years, the contract has been amended to provide for additional services as the City has grown. Currently, the City receives water at three take points. For the year ended September 30, 2020, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,559,801,000 gallons.

(b) City of Garland Sewage Treatment Agreement – The City entered into a contract with the City of Garland for sewage treatment effective April 2, 1991, which was later amended on June 8, 1994. Payments are determined based on actual metered flows into the City of Garland's treatment facility. No minimum payments are required. Rates are reviewed yearly and adjusted under the terms of the contract. The contract was in force until April 1, 2020. Currently the Director of the Public Works Department and the City Attorney are in discussions leading to a new agreement.

(c) Solid Waste Disposal Contract – In June 2017, the City contracted with FCC to provide collection of refuse and recyclable materials within the corporate limits of the City. The initial contract is for a period of seven years beginning October 1, 2017, and the City shall have the option to renew for three 1 year terms. Either party has the right to terminate the contract in writing. Collection rates may be adjusted yearly based upon the terms of the contract. An administrative fee assessed by the City is retained in the Enterprise Fund as a charge for service.

(d) The City is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of City officials and management, will have complex material effect on the City's financial position.

(e) The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed cash, if any, would not be material.

(f) As discussed in Note 1, Encumbrances, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General fund	\$	2,473,250
Capital projects fund		5,514,725
Nonmajor governmental funds		1,666,476
Total governmental	\$	9,654,451

City of Rowlett, Texas
Notes to the Financial Statements

Note 15. New Accounting Pronouncements

Statement No. 84, "Fiduciary Activities." The requirements of this Statement are effective in fiscal year 2021.

Statement No. 87, "Leases." The requirements of this Statement are effective in fiscal year 2022.

Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." The requirements of this Statement are effective in fiscal year 2022.

Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61." The requirements of this Statement are effective in fiscal year 2021.

Statement No. 91, "Conduit Debt Obligations." The requirements of this Statement are effective in fiscal year 2023.

**Required
Supplementary Information
(Unaudited)**



City of Rowlett, Texas
Schedule of Revenues, Expenditures, and Changes
In Fund Balance – Budget (GAAP Basis) and Actual
General Fund
For The Fiscal Year Ended September 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 27,179,213	\$ 27,179,213	\$ 27,465,666	\$ 286,453
Sales	7,140,876	7,140,876	7,206,313	65,437
Other	99,000	99,000	77,334	(21,666)
Franchise fees	2,907,193	2,907,193	2,906,916	(277)
Licenses and permits	1,088,650	1,088,650	1,514,679	426,029
Charge for services	2,969,924	2,969,924	2,834,470	(135,454)
Fines and forfeitures	736,417	736,417	781,643	45,226
Intergovernmental	278,406	278,406	287,199	8,793
Interest	366,704	366,704	276,866	(89,838)
Miscellaneous	1,056,992	1,056,992	1,232,175	175,183
Total revenues	<u>43,823,375</u>	<u>43,823,375</u>	<u>44,583,261</u>	<u>759,886</u>
EXPENDITURES				
Current operating:				
General government	5,420,182	4,750,258	4,851,656	(101,398)
Public safety	24,443,770	24,464,878	24,307,485	157,393
Public works	2,899,603	3,154,799	2,570,988	583,811
Culture and recreation	5,437,116	5,666,248	4,899,143	767,105
Community development	3,702,023	3,857,830	3,165,107	692,723
Debt service:				
Principal retirement	730,767	730,767	708,639	22,128
Interest and fiscal charges	36,113	36,113	39,465	(3,352)
Capital outlay	1,698,395	1,286,490	652,411	634,079
Total expenditures	<u>44,367,969</u>	<u>43,947,383</u>	<u>41,194,894</u>	<u>2,752,489</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(544,594)</u>	<u>(124,008)</u>	<u>3,388,367</u>	<u>3,512,375</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	875,253	875,253
Transfers from other funds	1,634,012	1,634,012	1,642,806	8,794
Transfers to other funds	(1,832,907)	(1,832,907)	(1,832,909)	(2)
Proceeds from sale of assets	-	-	12,395	12,395
Total other financing sources (uses)	<u>(198,895)</u>	<u>(198,895)</u>	<u>697,545</u>	<u>896,440</u>
CHANGE IN FUND BALANCE	<u>(743,489)</u>	<u>(322,903)</u>	<u>4,085,912</u>	<u>4,408,815</u>
TOTAL FUND BALANCE, BEGINNING	<u>12,490,979</u>	<u>12,490,979</u>	<u>12,490,979</u>	<u>-</u>
TOTAL FUND BALANCE, ENDING	<u>\$ 11,747,490</u>	<u>\$ 12,168,076</u>	<u>\$ 16,576,891</u>	<u>\$ 4,408,815</u>

City of Rowlett, Texas
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
For the Fiscal Year Ended September 30, 2020

	2014*	2015*	2016*
Total pension liability			
Service cost	\$ 3,106,700	\$ 3,555,319	\$ 3,690,762
Interest (on the total pension liability)	6,620,134	7,030,685	7,372,900
Difference in expected and actual experience	(1,127,265)	253,140	71,676
Change in assumptions	-	1,366,618	-
Benefit payments, including refunds of employee contributions	(2,737,302)	(3,180,434)	(3,786,938)
Net change in total pension liability	5,862,267	9,025,328	7,348,400
Total pension liability, beginning of year	94,388,644	100,250,911	109,276,239
Total pension liability, ending of year	<u>\$ 100,250,911</u>	<u>\$ 109,276,239</u>	<u>\$ 116,624,639</u>
Plan fiduciary net position			
Contributions -employer	\$ 2,683,946	\$ 2,843,382	\$ 2,763,065
Contributions -employee	1,398,930	1,524,019	1,557,284
Net investment income	4,970,464	137,446	6,379,417
Benefit payments, including refunds of employee contributions	(2,737,302)	(3,180,434)	(3,786,938)
Administrative expense	(51,890)	(83,712)	(72,034)
Other	(4,266)	(4,134)	(3,881)
Net change in plan fiduciary net position	6,259,882	1,236,567	6,836,913
Plan fiduciary net position - beginning	86,881,077	93,140,959	94,377,526
Plan fiduciary net position - ending	<u>\$ 93,140,959</u>	<u>\$ 94,377,526</u>	<u>\$ 101,214,439</u>
Net pension liability - ending	\$ 7,109,952	\$ 14,898,713	\$ 15,410,200
Plan fiduciary net position as a % of total pension liability	92.91%	86.37%	86.79%
Covered payroll	\$ 19,984,712	\$ 21,771,702	\$ 22,246,910
Net pension liability as a % of covered payroll	35.58%	68.43%	69.27%

* As of December 31 - Measurement Date

The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Rowlett, Texas
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios - Continued
For the Fiscal Year Ended September 30, 2020

2017*	2018*	2019*
\$ 3,927,237	\$ 4,229,958	\$ 4,583,856
7,871,621	8,415,681	9,001,835
221,315	557,304	347,501
-	-	328,627
(3,943,302)	(4,279,472)	(5,112,776)
8,076,871	8,923,471	9,149,043
116,624,639	124,701,510	133,624,981
<u>\$ 124,701,510</u>	<u>\$ 133,624,981</u>	<u>\$ 142,774,024</u>
\$ 3,084,838	\$ 3,369,540	\$ 3,570,170
1,661,067	1,803,271	1,949,392
14,029,963	(3,474,715)	17,526,632
(3,943,302)	(4,279,472)	(5,112,776)
(72,699)	(67,138)	(98,989)
(3,684)	(3,509)	(2,974)
14,756,183	(2,652,023)	17,831,455
101,214,439	115,970,622	113,318,599
<u>\$ 115,970,622</u>	<u>\$ 113,318,599</u>	<u>\$ 131,150,054</u>
\$ 8,730,888	\$ 20,306,382	\$ 11,623,970
93.00%	84.80%	91.86%
\$ 23,729,529	\$ 25,761,010	\$ 27,848,458
36.79%	78.83%	41.74%

City of Rowlett, Texas
Texas Municipal Retirement System
Schedule of Contributions
For the Fiscal Year Ended September 30, 2020

	2015*	2016*	2017*
Actuarially determined contributions	\$ 2,852,497	\$ 2,821,242	\$ 2,973,731
Actual contributions	(2,852,497)	(2,821,242)	(2,973,731)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 21,685,946	\$ 22,428,002	\$ 23,115,523
Ratio of actual contributions to covered payroll amount	13.15%	12.58%	12.86%

* As of September 30 - Fiscal Year

The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule

Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Method	26 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis scale UMP.

Other Information

There were no benefit changes during the year.

City of Rowlett, Texas
Texas Municipal Retirement System
Schedule of Contributions – Continued
For the Fiscal Year Ended September 30, 2020

2018*	2019*	2020*
\$ 3,286,439	\$ 3,457,517	\$ 3,668,493
(3,286,439)	(3,457,517)	(3,668,493)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 25,162,426	\$ 26,835,715	\$ 28,245,354
13.06%	12.88%	12.99%

City of Rowlett, Texas
Other Post-Employment Benefits –
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Fiscal Year Ended September 30, 2020

Measurement period ending December 31,	2017*	2018*	2019*
Total OPEB liability			
Service cost	\$ 161,071	\$ 163,487	\$ 189,521
Interest on the total OPEB liability	235,666	253,200	266,296
Changes in benefit terms	-	-	-
Difference in expected and actual experience	-	(121,085)	(487,619)
Change in assumptions	-	-	(98,891)
Benefit payments	(181,655)	(94,699)	(134,502)
Net change in total OPEB liability	215,082	200,903	(265,195)
Total OPEB liability, beginning of year	3,501,633	3,716,715	3,917,618
Total OPEB liability, ending of year	<u>\$ 3,716,715</u>	<u>\$ 3,917,618</u>	<u>\$ 3,652,423</u>
Plan fiduciary net position			
Employer contributions	\$ 219,240	\$ 426,005	\$ 467,264
OPEB plan net investment income	45,384	(34,114)	148,253
Benefit payments	(181,655)	(94,699)	(134,502)
OPEB plan administrative expense	(2,098)	(2,456)	(4,636)
Other	-	-	-
Net change in plan fiduciary net position	80,871	294,736	476,379
Plan fiduciary net position - beginning	348,625	429,496	724,232
Plan fiduciary net position - ending	<u>\$ 429,496</u>	<u>\$ 724,232</u>	<u>\$ 1,200,611</u>
 Net OPEB liability - ending	 \$ 3,287,219	 \$ 3,193,386	 \$ 2,451,812
 Plan fiduciary net position as a % of total OPEB liability	 11.56%	 18.49%	 32.87%
 Covered payroll	 \$ 23,729,529	 \$ 25,761,010	 \$ 27,848,458
 Net pension liability as a % of covered payroll	 13.85%	 12.40%	 8.80%

* As of December 31 - Measurement Date

The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of assumptions include the modified health care trend to better reflect the plan's anticipated experience and the repeal of the "Cadillac Tax" as well as updates based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).

City of Rowlett, Texas
Other Post-Employment Benefits –
Schedule of Contributions
For the Fiscal Year Ended September 30, 2020

	2018*	2019*	2020*
Actuarially determined contributions	\$ 354,221	\$ 420,194	\$ 426,497
Actual contributions	(126,473)	(429,293)	(538,938)
Contributions deficiency (excess)	<u>\$ 227,748</u>	<u>\$ (9,099)</u>	<u>\$ (112,441)</u>
City covered payroll	\$ 25,162,426	\$ 26,835,715	\$ 28,245,354
Ratio of actual contributions to covered payroll amount	0.50%	1.60%	1.91%

* As of September 30 - Fiscal Year

The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule

Valuation Date The actuarially determined contribution for fiscal year ending September 30, 2020 was developed in the December 31, 2017 valuation.

Methods and Assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of pay
Amortization Period	21 years as of FYE20
Asset Valuation	Market Value
Investment Rate of Return	6.75%, net of investment expenses, including inflation
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Payroll Growth	1.50%
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Healthcare Cost Trend Rates	Pre-65: Initial rate of 7.50% declining to an ultimate rate of 5.00% after 12 years; Pre-65: Ultimate trend rate includes a 0.75% adjustment for the excise tax; Post-65: Initial rate of 6.50% declining to an ultimate rate of 4.25% after 15 years.
Participation Rates	It was assumed that 85% of retirees during the funded period and 10% of retirees after the funded period would choose to receive retiree health care benefits through the City. No employees retiring before the age of 50 were assumed to continue their health coverage through the City.

City of Rowlett, Texas
Notes to Required Supplementary Information
For the Fiscal Year Ended September 30, 2020

1. Basis of Budgeting

The Budgetary Comparison Schedule, included in Required Supplemental Schedules, presents a comparison of budgetary data to actual results of operations for the General Fund in which an annual operating budget was legally adopted. This schedule utilizes the same basis of accounting for both budgetary purposes and actual results.

Other Supplementary Information

City of Rowlett, Texas
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended September 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 11,132,656	\$ 11,132,656	\$ 11,223,228	\$ 90,572
Interest	25,000	25,000	36,767	11,767
Total revenues	<u>11,157,656</u>	<u>11,157,656</u>	<u>11,259,995</u>	<u>102,339</u>
EXPENDITURES				
Current operating:				
General government	85,000	85,000	86,188	(1,188)
Debt service:				
Principal retirement	7,574,138	7,574,138	7,574,138	-
Interest and fiscal charges	<u>3,537,360</u>	<u>3,537,360</u>	<u>3,538,210</u>	<u>(850)</u>
Total expenditures	<u>11,196,498</u>	<u>11,196,498</u>	<u>11,198,536</u>	<u>(2,038)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(38,842)</u>	<u>(38,842)</u>	<u>61,459</u>	<u>100,301</u>
OTHER FINANCING SOURCES				
Transfers in	<u>242,540</u>	<u>242,540</u>	<u>242,540</u>	<u>-</u>
Total other financing sources	<u>242,540</u>	<u>242,540</u>	<u>242,540</u>	<u>-</u>
CHANGE IN FUND BALANCES	203,698	203,698	303,999	100,301
FUND BALANCES, BEGINNING	<u>986,987</u>	<u>986,987</u>	<u>986,987</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,190,685</u>	<u>\$ 1,190,685</u>	<u>\$ 1,290,986</u>	<u>\$ 100,301</u>

City of Rowlett, Texas

Description of Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for particular purposes. Individual funds maintained are as follows:

Impact Fees Fund – to account for street impact and park prorata fees on new development. These funds are restricted to capital improvements included in an approved plan, developer refund and/or incentives, and impact fee study expenses.

Police Seizure Fund – to account for funds awarded as a result of court forfeitures of contraband pursuant to the Texas Code of Criminal Procedure. The law provides for a special fund to be established and to be used solely for law enforcement purposes.

Child Safety Fund – to account for funds collected in accordance with Transportation Code Section 502.403 (Optional County Fee for Child Safety) which allows the Dallas County Commissioner's Court to levy a \$1.50 fee on all vehicles registered in Dallas County. Starting in fiscal year 2019, the fee is to be shared on a quarterly basis with the municipalities within Dallas County. A municipality with a population less than 850k must use the funds collected under article 102.014(g) of Code of Criminal Procedure for a school crossing guard program.

Jury Fund – A Local Consolidated Fee of \$14 is collected on all nonjailable misdemeanor offenses. Ten cents of that fee is collected in the Jury fund and may only be used by the municipality to fund juror reimbursements and otherwise finance jury services.

CVE Fund – Commercial Vehicle Enforcement fund is set up to collect fees from the CVE program to pay for the cost of administering the program that includes salaries, benefits, training, and equipment.

Court Fees Fund – to account for revenue generated on court fines for the purpose of paying salary and benefits for a juvenile case manager, acquiring qualifying technology for the municipal court, and for the purpose of providing security services for the municipal court, as allowed under Article 102 of the Texas Code of Criminal Procedure.

Grant Fund – to account for funds awarded to the City by various federal or state agencies. This fund includes funds granted to the City by the U.S. Department of Housing and Urban Development (HUD) under their community development block grant (CDBG) programs, other public safety grants, and library grants.

TIF Fund – to account for property taxes on improvements in the City's Tax – Increment Financing Reinvestment Zone Number One, Two, and Three. These funds may only be used for capital improvements within the designated zone.

Disaster Fund – to account for revenues and expenditures related to unexpected natural disasters.

PID Fund – to account for the activity of the Public Improvement District created by the City.

Other Special Revenue Fund – to account for funds received from a tax on the cost of occupancy in hotels and motels within the City limits of Rowlett and revenues received for public access television (PEG fees). The hotel/motel tax funds may only be utilized to promote tourism and the convention and hotel industry. The PEG fees collected may only be utilized for the capital costs of facilities and equipment of public, educational, and government access channels.

City of Rowlett, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2020

	Special Revenue			
	Impact Fees	Police Seizure	Child Safety	Jury Fund
ASSETS				
Cash, cash equivalents and investments	\$ 6,505,449	\$ 501,018	\$ 73,439	\$ 329
Receivables (net of allowance for uncollectibles):				
Taxes	-	-	-	-
Accrued interest	4,473	-	42	-
Other	-	50	4,945	-
Due from other governments	-	-	-	-
Prepaid and other items	-	875	-	-
Total assets	<u>\$ 6,509,922</u>	<u>\$ 501,943</u>	<u>\$ 78,426</u>	<u>\$ 329</u>
LIABILITIES				
Accounts payable	33,130	17,831	-	-
Accrued liabilities	-	11,550	4,540	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>33,130</u>	<u>29,381</u>	<u>4,540</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - other (court fines)	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - Prepaid items	-	875	-	-
Restricted for:				
Capital projects	6,476,792	-	-	-
Public safety	-	471,687	73,886	329
Community development	-	-	-	-
Public broadcasting	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>6,476,792</u>	<u>472,562</u>	<u>73,886</u>	<u>329</u>
Total liabilities and fund balances	<u>\$ 6,509,922</u>	<u>\$ 501,943</u>	<u>\$ 78,426</u>	<u>\$ 329</u>

Special Revenue							Total Governmental Funds
CVE Fund	Court Fees	Grant	TIF	Disaster	PID	Other	
\$ 60,843	\$ 232,447	\$ -	\$ 89,122	\$ 1,046,721	\$ 5,518	\$ 601,245	\$ 9,116,131
-	-	-	118	-	-	1,195	1,313
22	160	-	73	-	-	399	5,169
-	673	-	-	-	-	32,981	38,649
-	-	451,586	-	1,987,801	-	-	2,439,387
575	85	-	-	50	-	348	1,933
<u>\$ 61,440</u>	<u>\$ 233,365</u>	<u>\$ 451,586</u>	<u>\$ 89,313</u>	<u>\$ 3,034,572</u>	<u>\$ 5,518</u>	<u>\$ 636,168</u>	<u>\$ 11,602,582</u>
-	82	39,992	23,475	475,433	-	-	589,943
4,564	5,109	39,200	-	12,033	-	-	76,996
-	-	28,810	-	23,534	5,518	-	57,862
-	-	344,243	-	-	-	-	344,243
<u>4,564</u>	<u>5,191</u>	<u>452,245</u>	<u>23,475</u>	<u>511,000</u>	<u>5,518</u>	<u>-</u>	<u>1,069,044</u>
-	-	421,417	-	476,858	-	-	898,275
-	-	-	118	-	-	-	118
-	673	-	-	-	-	-	673
<u>-</u>	<u>673</u>	<u>421,417</u>	<u>118</u>	<u>476,858</u>	<u>-</u>	<u>-</u>	<u>899,066</u>
575	85	-	-	50	-	348	1,933
-	-	-	52,509	-	-	-	6,529,301
56,301	227,416	-	-	2,046,664	-	-	2,876,283
-	-	-	13,211	-	-	28,005	41,216
-	-	-	-	-	-	607,815	607,815
-	-	(422,076)	-	-	-	-	(422,076)
<u>56,876</u>	<u>227,501</u>	<u>(422,076)</u>	<u>65,720</u>	<u>2,046,714</u>	<u>-</u>	<u>636,168</u>	<u>9,634,472</u>
<u>\$ 61,440</u>	<u>\$ 233,365</u>	<u>\$ 451,586</u>	<u>\$ 89,313</u>	<u>\$ 3,034,572</u>	<u>\$ 5,518</u>	<u>\$ 636,168</u>	<u>\$ 11,602,582</u>

City of Rowlett, Texas
Combining Statement of Revenues, Expenditures,
And Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2020

	Special Revenue			
	Impact Fees	Police Seizure	Child Safety	Jury Fund
REVENUES				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Franchise fees	-	-	-	-
License and permits	822,540	-	-	-
Fines and forfeitures	-	404,275	-	329
Intergovernmental	-	-	57,498	-
Interest	82,534	-	615	-
Total revenues	905,074	404,275	58,113	329
EXPENDITURES				
Current operating:				
General government	-	-	-	-
Public safety	-	209,358	59,934	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Community Development	11,150	-	-	-
Capital outlay	111,599	-	-	-
Total expenditures	122,749	209,358	59,934	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	782,325	194,917	(1,821)	329
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,344	-
Total other financing sources (uses)	-	-	28,344	-
NET CHANGE IN FUND BALANCES	782,325	194,917	26,523	329
FUND BALANCES, BEGINNING	5,694,467	277,645	47,363	-
FUND BALANCES, ENDING	\$ 6,476,792	\$ 472,562	\$ 73,886	\$ 329

Special Revenue							Total Governmental Funds
CVE Fund	Court Fees	Grant	TIF	Disaster	PID	Other	
\$ -	\$ -	\$ -	\$ 429,400	\$ -	\$ -	\$ -	\$ 429,400
-	-	-	-	-	-	21,702	21,702
-	-	-	-	-	-	139,211	139,211
-	-	-	-	-	-	-	822,540
233,450	89,250	-	-	-	-	-	727,304
-	-	1,266,167	-	3,318,475	-	-	4,642,140
501	3,060	-	3,199	-	-	7,306	97,215
233,951	92,310	1,266,167	432,599	3,318,475	-	168,219	6,879,512
-	-	-	466,437	1,338,110	-	50,813	1,855,360
177,075	127,116	1,180,833	-	-	-	-	1,754,316
-	-	291,043	-	-	-	-	291,043
-	-	129,640	-	-	-	-	129,640
-	-	-	-	-	-	-	11,150
-	-	-	-	29,779	-	19,346	160,724
177,075	127,116	1,601,516	466,437	1,367,889	-	70,159	4,202,233
56,876	(34,806)	(335,349)	(33,838)	1,950,586	-	98,060	2,677,279
-	56,049	-	-	-	-	-	84,393
-	56,049	-	-	-	-	-	84,393
56,876	21,243	(335,349)	(33,838)	1,950,586	-	98,060	2,761,672
-	206,258	(86,727)	99,558	96,128	-	538,108	6,872,800
\$ 56,876	\$ 227,501	\$ (422,076)	\$ 65,720	\$ 2,046,714	\$ -	\$ 636,168	\$ 9,634,472



Statistical Section (Unaudited)



Statistical Section

(Unaudited)

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

Tables

Financial Trends

These schedules contain trend information to help the reader understand.....1-4
how financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain trend information to help the reader access the City's.....5-9
most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of.....10-14
the City's current levels of outstanding debt and the City's ability to issue additional
debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader.....15-16
understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader 17-19
understand how the information in the City's financial report relates to the services
the City provides and the activities it performs.

City of Rowlett, Texas
Net Position by Component (Unaudited)
Last Ten Fiscal Years
(Accrual Basis Of Accounting)

	Fiscal Year			
	2020	2019	2018	2017
Governmental activities:				
Net investment in capital assets	\$ 75,468,383	\$ 61,372,712	\$ 57,007,151	\$ 56,614,842
Restricted	11,456,839	5,819,967	5,327,063	3,371,581
Unrestricted	8,314,692	5,234,368	4,509,719	4,926,152
Total governmental activities net position	<u>\$ 95,239,914</u>	<u>\$ 72,427,047</u>	<u>\$ 66,843,933</u>	<u>\$ 64,912,575</u>
Business-type activities:				
Net investment in capital assets	\$ 94,475,722	\$ 75,234,817	\$ 75,255,958	\$ 72,739,710
Restricted	4,142,581	3,870,795	3,799,689	3,734,307
Unrestricted	21,383,533	20,777,879	13,948,336	11,050,293
Total business-type activities net position	<u>\$ 120,001,836</u>	<u>\$ 99,883,491</u>	<u>\$ 93,003,983</u>	<u>\$ 87,524,310</u>
Primary government:				
Net investment in capital assets	\$ 169,944,105	\$ 136,607,529	\$ 132,263,109	\$ 129,354,552
Restricted	15,599,420	9,690,762	9,126,752	7,105,888
Unrestricted	29,698,225	26,012,247	18,458,055	15,976,445
Total primary government net position	<u>\$ 215,241,750</u>	<u>\$ 172,310,538</u>	<u>\$ 159,847,916</u>	<u>\$ 152,436,885</u>

Source: City of Rowlett - Comprehensive Annual Financial Reports

Table 1

Fiscal Year					
2016	2015	2014	2013	2012	2011
\$ 49,737,154	\$ 49,251,730	\$ 47,572,344	\$ 38,863,695	\$ 31,916,791	\$ 32,374,952
2,814,485	3,427,940	3,385,346	9,137,747	9,171,293	4,746,923
3,122,284	1,526,343	3,796,330	5,469,081	5,462,517	6,506,992
<u>\$ 55,673,923</u>	<u>\$ 54,206,013</u>	<u>\$ 54,754,020</u>	<u>\$ 53,470,523</u>	<u>\$ 46,550,601</u>	<u>\$ 43,628,867</u>
\$ 67,798,118	\$ 65,405,576	\$ 64,531,695	\$ 63,171,705	\$ 62,576,970	\$ 63,268,379
3,841,031	2,392,009	2,093,242	2,197,202	2,327,961	3,225,296
9,414,010	6,802,140	5,415,474	8,162,875	7,460,914	6,882,557
<u>\$ 81,053,159</u>	<u>\$ 74,599,725</u>	<u>\$ 72,040,411</u>	<u>\$ 73,531,782</u>	<u>\$ 72,365,845</u>	<u>\$ 73,376,232</u>
\$ 117,535,272	\$ 114,657,306	\$ 112,104,039	\$ 102,035,400	\$ 94,493,761	\$ 95,643,331
6,655,516	5,819,949	5,478,588	11,334,949	11,499,254	7,972,219
12,536,294	8,328,483	9,211,804	13,631,956	12,923,431	13,389,549
<u>\$ 136,727,082</u>	<u>\$ 128,805,738</u>	<u>\$ 126,794,431</u>	<u>\$ 127,002,305</u>	<u>\$ 118,916,446</u>	<u>\$ 117,005,099</u>

City of Rowlett, Texas
Changes in Net Position (Unaudited)
Last Ten Fiscal Years
(Accrual Basis Of Accounting)

Expenses	Fiscal Year			
	2020	2019	2018	2017
Governmental activities:				
General government	\$ 7,659,005	\$ 5,420,785	\$ 4,488,176	\$ 4,009,554
Public safety	27,749,819	27,289,033	24,585,595	23,615,382
Public works	13,601,146	13,180,957	12,549,250	10,948,955
Culture and recreation	5,980,810	6,568,110	5,923,484	5,689,940
Community Development	3,230,325	3,501,440	3,263,380	3,531,966
Interest and fiscal charges	3,311,592	2,985,086	2,646,178	2,313,657
Total governmental activities	61,532,697	58,945,411	53,456,063	50,109,454
Business-type activities:				
Water and sewer	29,328,206	29,326,748	28,467,611	24,873,275
Refuse	6,469,157	6,095,125	5,747,436	3,997,901
Drainage	1,725,900	1,676,108	1,674,868	1,856,605
Total business-type activities	37,523,263	37,097,981	35,889,915	30,727,781
Total primary government expenses	\$ 99,055,960	\$ 96,043,392	\$ 89,345,978	\$ 80,837,235
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 87,097	\$ 73,326	\$ 65,207	\$ 57,609
Public safety	3,075,507	2,982,871	2,494,684	2,310,649
Public works	1,647,102	1,837,763	2,565,725	1,018,438
Culture and recreation	284,904	855,995	921,069	1,021,800
Community Development	2,393,835	1,637,391	1,998,492	2,130,381
Operating grants and contributions	5,432,039	1,579,710	543,883	1,135,141
Capital grants and contributions	17,909,654	4,400,205	1,567,932	7,722,894
Total governmental activities program revenues	30,830,138	13,367,261	10,156,992	15,396,912
Business-type activities:				
Charges for services:				
Water and sewer	32,827,177	32,564,897	31,574,148	27,688,606
Refuse	6,414,887	6,040,064	5,728,612	5,139,251
Drainage	1,402,172	1,397,830	1,380,266	1,356,154
Capital grants and contributions	18,328,364	5,084,099	2,952,879	5,101,806
Total business-type activities program revenues	58,972,600	45,086,890	41,635,905	39,285,817
Total primary government revenues	\$ 89,802,738	\$ 58,454,151	\$ 51,792,897	\$ 54,682,729
Net (expense)/revenue				
Governmental activities	\$ (30,702,559)	\$ (45,578,150)	\$ (43,299,071)	\$ (34,712,542)
Business-type activities	21,449,337	7,988,909	5,745,990	8,558,036
Total primary government net expense	\$ (9,253,222)	\$ (37,589,241)	\$ (37,553,081)	\$ (26,154,506)
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 39,124,891	\$ 35,818,604	\$ 32,851,565	\$ 29,725,260
Sales taxes	7,206,313	7,175,368	7,319,051	6,869,068
Other	99,036	173,416	182,111	185,868
Franchise fees	3,018,982	3,178,867	3,188,420	3,005,412
Investment earnings	1,029,614	1,704,720	583,909	236,481
Gain on sale/retirement of capital assets	-	-	-	-
Miscellaneous	1,293,788	1,381,289	2,173,698	1,447,744
Transfers (net)	1,742,802	1,729,000	362,160	2,481,361
Total governmental activities	53,515,426	51,161,264	46,660,914	43,951,194
Business-type activities:				
Investment earnings	375,999	586,972	169,469	58,485
Gain on sale/retirement of capital assets	4,255	15,031	14,245	64,273
Miscellaneous	31,556	17,596	16,535	271,718
Transfers (net)	(1,742,802)	(1,729,000)	(362,160)	(2,481,361)
Total business-type activities	(1,330,992)	(1,109,401)	(161,911)	(2,086,885)
Total primary government	\$ 52,184,434	\$ 50,051,863	\$ 46,499,003	\$ 41,864,309
Changes in Net Position				
Governmental activities	\$ 22,812,867	\$ 5,583,114	\$ 3,361,843	\$ 9,238,652
Business-type activities	20,118,345	6,879,508	5,584,079	6,471,151
Total primary government	\$ 42,931,212	\$ 12,462,622	\$ 8,945,922	\$ 15,709,803

Source: City of Rowlett - Comprehensive Annual Financial Reports

Table 2

	2016	2015	2014	2013	2012	2011
\$	8,661,210	\$ 3,812,283	\$ 3,743,246	\$ 3,079,438	\$ 4,274,638	\$ 5,043,354
	23,496,850	21,682,963	20,994,087	19,791,298	20,456,358	20,077,172
	10,171,825	12,001,156	12,040,271	11,690,444	13,472,469	12,320,408
	5,517,845	5,210,607	5,152,775	5,100,405	4,975,355	4,796,472
	2,364,074	1,586,203	1,230,969	1,183,670	881,385	726,014
	2,312,864	2,731,650	3,407,157	2,848,832	2,888,071	3,445,261
	52,524,668	47,024,862	46,568,505	43,694,087	46,948,276	46,408,681
	25,018,832	22,361,784	23,176,635	21,215,288	20,275,313	19,715,254
	3,835,050	3,782,412	3,986,352	3,640,452	3,316,080	3,280,511
	1,780,188	2,008,406	1,980,987	1,865,797	2,091,605	1,669,999
	30,634,070	28,152,602	29,143,974	26,721,537	25,682,998	24,665,764
\$	83,158,738	\$ 75,177,464	\$ 75,712,479	\$ 70,415,624	\$ 72,631,274	\$ 71,074,445
\$	27,250	\$ 36,452	\$ 56,240	\$ 90,267	\$ 99,370	\$ 617,922
	2,923,557	2,736,415	2,887,395	3,058,323	3,205,317	1,808,112
	958,097	1,520,964	495,015	341,707	285,290	116,950
	925,832	948,832	915,945	958,111	871,538	2,659,906
	1,706,037	1,229,248	977,198	860,925	641,890	565,001
	2,035,858	520,843	418,983	817,022	901,055	963,803
	1,851,705	1,715,530	3,878,487	6,735,636	6,748,657	2,687,884
	10,428,336	8,708,284	9,629,263	12,861,991	12,753,117	9,419,578
	26,561,193	26,596,651	24,659,862	25,341,837	22,507,769	23,592,840
	4,911,283	4,903,537	5,081,709	4,681,715	4,484,110	4,457,857
	1,320,362	1,337,982	1,331,572	1,328,989	1,300,878	1,301,172
	7,202,846	2,723,019	621,061	938,393	145,204	560,473
	39,995,684	35,561,189	31,694,204	32,290,934	28,437,961	29,912,342
\$	50,424,020	\$ 44,269,473	\$ 41,323,467	\$ 45,152,925	\$ 41,191,078	\$ 39,331,920
\$	(42,096,332)	\$ (38,316,578)	\$ (36,939,242)	\$ (30,832,096)	\$ (34,195,159)	\$ (36,989,103)
	9,361,614	7,408,587	2,550,230	5,569,397	2,754,963	5,246,578
\$	(32,734,718)	\$ (30,907,991)	\$ (34,389,012)	\$ (25,262,699)	\$ (31,440,196)	\$ (31,742,525)
\$	27,486,731	\$ 25,608,764	\$ 23,307,395	\$ 23,290,763	\$ 23,805,465	\$ 23,967,737
	6,705,320	5,995,488	5,652,848	5,386,679	4,894,006	5,767,527
	175,204	146,741	130,138	112,300	48,186	124,748
	3,145,738	3,344,410	3,126,943	3,010,969	3,127,383	3,214,049
	141,019	66,264	57,205	44,492	76,604	165,926
	-	779,237	-	-	-	-
	2,556,794	1,229,112	1,582,041	1,458,515	1,248,881	171,306
	3,353,436	4,441,008	4,366,169	4,448,300	3,916,368	4,999,142
	43,564,242	41,611,024	38,222,739	37,752,018	37,116,893	38,410,435
	60,724	71,562	61,476	24,148	53,767	102,658
	371,220	-	-	-	-	-
	13,312	(114,908)	263,092	20,692	97,251	-
	(3,353,436)	(4,441,008)	(4,366,169)	(4,448,300)	(3,916,368)	(4,999,142)
	(2,908,180)	(4,484,354)	(4,041,601)	(4,403,460)	(3,765,350)	(4,896,484)
\$	40,656,062	\$ 37,126,670	\$ 34,181,138	\$ 33,348,558	\$ 33,351,543	\$ 33,513,951
\$	1,467,910	\$ 3,294,446	\$ 1,283,497	\$ 6,919,922	\$ 2,921,734	\$ 1,421,332
	6,453,434	2,924,233	(1,491,371)	1,165,937	(1,010,387)	350,094
\$	7,921,344	\$ 6,218,679	\$ (207,874)	\$ 8,085,859	\$ 1,911,347	\$ 1,771,426

City of Rowlett, Texas
Fund Balances Of Governmental Funds (Unaudited)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2020	2019	2018	2017	2016
General fund					
Nonspendable:					
Inventories	\$ 51,425	\$ 54,678	\$ 51,338	\$ 65,823	\$ 69,008
Prepaid items	94,868	95,188	98,171	73,499	85,300
Restricted for:					
Capital projects	875,267	-	-	48,753	90,720
Assigned for:					
Economic development	1,714,094	1,282,294	993,769	803,104	802,739
Capital acquisition	2,093	2,063	2,010	1,987	16,463
Unassigned	13,839,144	11,056,756	10,078,849	7,793,076	6,845,704
Total general fund	<u>\$ 16,576,891</u>	<u>\$ 12,490,979</u>	<u>\$ 11,224,137</u>	<u>\$ 8,786,242</u>	<u>\$ 7,909,934</u>
All other governmental funds					
Nonspendable:					
Inventories	\$ 35,620	\$ 38,232	\$ 50,452	\$ 43,479	\$ 57,060
Prepaid items	12,296	12,872	1,700	11,641	493
Restricted for:					
Debt service	1,280,623	977,804	670,762	548,037	30,018
Capital projects	56,846,310	45,736,428	39,785,516	23,777,330	16,713,319
Public safety	2,876,283	527,577	329,669	425,873	457,709
Economic development	41,216	40,477	42,296	71,121	82,140
Public broadcasting	607,815	498,424	519,351	384,721	299,470
Assigned for:					
Capital acquisition	7,868,000	7,392,879	6,515,766	7,485,985	4,573,534
Unassigned	(422,076)	(86,727)	(145,982)	(310,906)	(485,078)
Total all other governmental funds	<u>\$ 69,146,087</u>	<u>\$ 55,137,966</u>	<u>\$ 47,769,530</u>	<u>\$ 32,437,281</u>	<u>\$ 21,728,665</u>

Note: The City adopted GASB Statement No. 54 which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.

Source: City of Rowlett - Comprehensive Annual Financial Reports

Table 3

Fiscal Year					
2015	2014	2013	2012	2011	
\$ 87,466	\$ 47,986	\$ 54,199	\$ 146,989	\$ 86,016	
50,394	55,242	64,737	15,700	73,555	
419,332	1,791,258	321,096	280,356	716,031	
877,378	302,712	305,589	352,188	224,092	
88,910	107,488	364,692	381,605	1,163,159	
5,624,402	5,473,122	6,065,516	6,305,245	6,681,091	
<u>\$ 7,147,882</u>	<u>\$ 7,777,808</u>	<u>\$ 7,175,829</u>	<u>\$ 7,482,083</u>	<u>\$ 8,943,944</u>	
\$ 84,105	\$ 79,515	\$ 64,582	\$ -	\$ -	
9,549	14,336	10,775	1,562	12,805	
990,821	478,102	443,330	363,265	281,278	
13,635,339	6,782,080	5,493,204	1,729,546	80,317	
627,877	1,156,528	1,551,418	1,014,867	1,075,494	
12,012	6,934	6,934	20,518	17,751	
246,895	124,213	70,402	56,776	32,216	
2,009,791	-	1,443,519	5,887,781	12,654,001	
-	(519,010)	(115,543)	(3,698)	(107,126)	
<u>\$ 17,616,389</u>	<u>\$ 8,122,698</u>	<u>\$ 8,968,621</u>	<u>\$ 9,070,617</u>	<u>\$ 14,046,736</u>	

City of Rowlett, Texas
Changes in Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2020	2019	2018	2017	2016
Revenues					
Taxes	\$ 46,423,643	\$ 43,100,479	\$ 40,338,559	\$ 36,836,304	\$ 34,354,402
Franchise fees	3,046,127	3,141,369	3,181,008	3,008,801	3,150,502
Licenses and permits	2,337,219	2,120,446	3,012,473	2,180,112	2,222,024
Charges for services	3,659,032	3,849,206	4,033,166	3,553,951	3,007,143
Contributions	-	-	-	-	-
Fines and forfeitures	1,508,947	1,360,702	1,081,907	1,121,136	1,050,809
Intergovernmental	4,983,263	1,815,469	1,689,155	1,583,623	2,324,036
Interest	1,029,614	1,704,720	583,909	236,481	141,019
Miscellaneous	1,293,788	1,381,289	2,173,698	1,447,744	2,556,794
Total revenues	<u>64,281,633</u>	<u>58,473,680</u>	<u>56,093,875</u>	<u>49,968,152</u>	<u>48,806,729</u>
Expenditures					
General government	6,793,204	4,826,345	3,853,494	4,503,017	6,625,996
Public safety	26,061,801	24,487,703	22,545,405	20,747,659	21,328,195
Public works	6,481,591	6,891,163	6,704,659	5,078,766	4,145,778
Culture and recreation	5,028,783	5,498,493	5,108,152	4,819,880	4,717,532
Community development	3,176,257	3,300,535	3,185,585	3,260,438	2,154,699
Debt service:					
Principal	8,282,777	8,152,882	7,714,233	7,271,177	7,274,521
Interest	3,577,675	3,219,234	2,728,161	2,638,549	2,640,705
Other charges	243,636	213,777	345,280	176,721	187,709
Capital outlay	9,670,962	15,269,220	8,973,985	5,156,259	6,185,708
Total expenditures	<u>69,316,686</u>	<u>71,859,352</u>	<u>61,158,954</u>	<u>53,652,466</u>	<u>55,260,843</u>
Excess (deficiency) of revenues over (under) expenditures	(5,035,053)	(13,385,672)	(5,065,079)	(3,684,314)	(6,454,114)
Other Financing Sources/(Uses)					
Capital leases	875,253	-	-	-	165,354
Issuance of refunding bonds	-	-	-	-	-
Issuance of bonds	18,185,000	18,285,000	21,055,000	10,930,000	6,990,000
Premiums on bonds issued	2,313,636	1,630,779	1,014,698	440,012	810,957
Payments to refunding bond escrow agent	-	-	-	-	-
Proceeds from sale of assets	12,395	376,171	32,827	1,417,865	8,695
Transfers in	3,575,711	4,354,332	3,990,338	6,289,252	5,980,852
Transfers out	(1,832,909)	(2,625,332)	(3,257,640)	(3,807,891)	(2,627,416)
Total other financing sources/(uses)	<u>23,129,086</u>	<u>22,020,950</u>	<u>22,835,223</u>	<u>15,269,238</u>	<u>11,328,442</u>
Net change in fund balances	<u>\$ 18,094,033</u>	<u>\$ 8,635,278</u>	<u>\$ 17,770,144</u>	<u>\$ 11,584,924</u>	<u>\$ 4,874,328</u>
Debt service as a percentage of noncapital expenditures	28.2%	21.7%	20.3%	20.4%	20.2%

Source: City of Rowlett - Comprehensive Annual Financial Reports

Table 4

Fiscal Year					
2015	2014	2013	2012	2011	
\$ 31,785,463	\$ 29,122,683	\$ 28,773,383	\$ 28,781,463	\$ 30,131,107	
3,352,512	3,131,069	2,991,209	3,094,707	3,304,363	
2,467,573	1,144,653	807,860	687,352	438,334	
2,784,430	2,612,512	2,644,415	2,291,101	2,748,494	
-	2,112,775	-	-	-	
1,172,498	1,514,717	2,158,683	1,896,301	2,304,857	
2,670,203	2,059,376	6,929,459	6,589,471	2,275,536	
66,264	57,205	44,492	76,604	165,926	
1,256,642	1,591,500	1,423,074	1,208,363	790,619	
45,555,585	43,346,490	45,772,575	44,625,362	42,159,236	
3,581,688	3,420,425	2,641,269	3,003,607	4,380,262	
21,164,943	19,719,083	18,619,438	19,159,506	18,791,928	
6,532,713	6,652,769	5,936,101	7,599,093	7,246,641	
4,619,286	4,413,902	4,282,981	4,175,458	3,931,809	
1,584,360	1,227,382	1,128,814	840,833	672,775	
6,115,861	6,048,669	6,202,352	6,208,605	5,940,534	
2,400,844	2,408,591	2,834,256	2,903,106	3,370,147	
376,743	231,474	-	222,800	-	
9,107,057	3,573,867	9,552,274	11,316,999	4,424,499	
55,483,495	47,696,162	51,197,485	55,430,007	48,758,595	
(9,927,910)	(4,349,672)	(5,424,910)	(10,804,645)	(6,599,359)	
2,141,763	1,959,204	1,130,985	351,152	1,202,602	
19,392,950	11,135,000	-	14,131,149	-	
11,302,050	-	-	-	-	
3,506,264	592,013	-	1,383,000	-	
(22,661,960)	(13,946,658)	-	(15,416,504)	-	
669,600	-	-	1,500	-	
6,093,515	6,302,791	5,895,107	5,729,583	6,446,101	
(1,652,507)	(1,936,622)	(2,009,432)	(1,813,215)	(1,958,290)	
18,791,675	4,105,728	5,016,660	4,366,665	5,690,413	
\$ 8,863,765	\$ (243,944)	\$ (408,250)	\$ (6,437,980)	\$ (908,946)	
18.4%	19.2%	21.7%	20.7%	21.0%	

Table 5

City of Rowlett, Texas
General Governmental Tax Revenue by Source (Unaudited)
Last Ten Fiscal Years
(Modified Accrual Basis)

Fiscal Year		Property Tax		Sales Tax		Other		Total
2011	\$	24,238,832	\$	5,767,527	\$	124,749	\$	30,131,108
2012		23,492,921		4,894,006		103,581		28,490,508
2013		23,274,404		5,386,680		112,300		28,773,384
2014		23,339,695		5,652,848		130,138		29,122,681
2015		25,643,234		5,995,488		146,739		31,785,461
2016		27,473,878		6,705,320		175,204		34,354,402
2017		29,781,368		6,869,068		185,868		36,836,304
2018		32,837,397		7,319,051		182,111		40,338,559
2019		35,751,695		7,175,368		173,416		43,100,479
2020		39,118,294		7,206,313		99,036		46,423,643

Source: City of Rowlett - Finance Department

Table 6

City of Rowlett, Texas
Assessed Value And Estimated Actual Value
Of Taxable Property (Unaudited)
Last Ten Fiscal Years

Fiscal Year	Estimated Market Value		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2011	\$ 3,447,524,437	\$ 174,055,050	\$ 401,314,296	\$ 3,220,265,191	0.74717
2012	3,407,215,429	171,045,280	406,361,093	3,171,899,616	0.74717
2013	3,373,736,207	176,427,230	425,321,487	3,124,841,950	0.74717
2014	3,383,659,486	176,507,810	443,668,413	3,116,498,883	0.74717
2015	3,565,803,997	185,318,990	465,920,605	3,285,202,382	0.78717
2016	3,846,233,547	185,674,030	444,452,200	3,587,455,377	0.78717
2017	4,304,356,460	194,001,341	563,443,777	3,934,914,024	0.78717
2018	4,805,306,971	192,345,557	613,501,169	4,384,151,359	0.77717
2019	5,451,019,219	193,634,834	716,778,867	4,927,875,186	0.75717
2020	5,895,477,445	202,636,225	685,970,774	5,412,142,896	0.75717

Source: Dallas Central Appraisal District certified totals and Rockwall Central Appraisal District

City of Rowlett, Texas
Property Tax Rates
Direct and Overlapping Governments (Unaudited)
Last Ten Fiscal Years

Fiscal Year	City of Rowlett Direct Rates			Overlapping Rates ⁽¹⁾				
				Dallas County Properties				Total Direct & Overlapping Rates
	General Fund	Debt Service Fund	Total City	Dallas County	Dallas County Hospital District	Dallas County Community College District	Garland Independent School District	
2020	0.53756	0.21961	0.75717	0.25310	0.26950	0.12400	1.39000	2.79377
2019	0.53113	0.22604	0.75717	0.25310	0.27940	0.12400	1.46000	2.87367
2018	0.55119	0.22598	0.77717	0.25310	0.27940	0.12424	1.46000	2.89391
2017	0.55117	0.23600	0.78717	0.25237	0.27940	0.12293	1.46000	2.90187
2016	0.57792	0.20925	0.78717	0.25310	0.28600	0.12365	1.35330	2.80322
2015	0.54977	0.23740	0.78717	0.25310	0.28600	0.12478	1.25330	2.70435
2014	0.50477	0.24240	0.74717	0.25310	0.27600	0.12470	1.25330	2.65427
2013	0.49267	0.25450	0.74717	0.25304	0.27100	0.11938	1.25330	2.64389
2012	0.49083	0.25634	0.74717	0.24310	0.27100	0.09967	1.25330	2.61424
2011	0.49467	0.25250	0.74717	0.24310	0.27100	0.09923	1.25330	2.61380

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Rowlett. A typical property tax bill would consist of the City, School District, and County taxes; residents within the City of Rowlett are divided between Dallas and Rockwall counties.

Source: City of Rowlett - Finance Department / Dallas Central Appraisal District certified totals and Rockwall Central Appraisal District Tax rates are applied on each \$100 of assessed value and are levied on 100% of assessed value.

Table 7

Rockwall County Properties		
Rockwall County	Rockwall Independent School District	Total Direct & Overlapping Rates
0.325000	1.35000	2.43217
0.328400	1.43000	2.51557
0.349800	1.44000	2.56697
0.375900	1.46500	2.62807
0.395900	1.44000	2.62307
0.395900	1.46000	2.64307
0.395900	1.46000	2.60307
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357

Table 8

City of Rowlett, Texas
Principal Property Taxpayers (Unaudited)
Current Year and Nine Years Ago

Taxpayer	2020		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
WRIA 206 3 LP	\$ 46,123,730	1	0.85%
Terra Lago Apartments LLC	44,742,200	2	0.83%
HC Harmony Hill LLC	43,633,120	3	0.81%
WRIA 2016 2 LP	43,441,020	4	0.80%
HC Harmony Hill Land LLC	38,433,410	5	0.71%
Oncor Electric Delivery	37,256,750	6	0.69%
IC Village of Rowlett LP	34,000,000	7	0.63%
WRIA 2016 7 LP	30,492,270	8	0.56%
Sapphire Bay Land Holdings I LLC	22,692,930	9	0.42%
Walmart Stores Inc	20,592,460	10	0.38%
	<u>\$ 361,407,890</u>		<u>6.68%</u>

Source: Dallas County Tax Office

Taxpayer	2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lake Pointe Medical Center	\$ 41,779,430	1	1.27%
Oncor Electric / Texas Utilities	25,637,100	2	0.78%
Wal Mart	20,048,020	3	0.61%
Verizon	18,240,320	4	0.56%
Target Corporation	16,456,770	5	0.50%
Home Depot Dev Properties LP	11,318,380	6	0.34%
Gemni Rowlett Crossing LP	9,239,270	7	0.28%
LPMA LP	7,891,000	8	0.24%
NWC Liberty Grove & SH66	7,677,970	9	0.23%
Safeway Inc	7,165,970	10	0.22%
	<u>\$ 165,454,230</u>		<u>5.03%</u>

Source: Dallas County Tax Office

Table 9

City Of Rowlett, Texas
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
			Amount	Percentage of Levy		Total Tax Collections	Accumulated Delinquent Taxes	Percentage of Levy
2011	\$	23,945,717	\$ 23,650,873	98.77%	\$ 281,217	\$ 23,932,090	\$ 13,627	99.94%
2012		23,605,280	23,335,522	98.86%	252,779	23,588,301	16,979	99.93%
2013		23,111,624	22,902,665	99.10%	190,516	23,093,181	18,443	99.92%
2014		23,072,444	22,904,595	99.27%	146,895	23,051,490	20,954	99.91%
2015		25,318,845	25,128,168	99.25%	161,410	25,289,578	29,267	99.88%
2016		27,332,380	27,062,463	99.01%	233,221	27,295,684	36,696	99.87%
2017		29,530,076	29,350,720	99.39%	139,037	29,489,757	40,319	99.86%
2018		32,629,060	32,440,060	99.42%	134,816	32,574,876	54,184	99.83%
2019		35,578,007	35,343,132	99.34%	126,568	35,469,700	108,307	99.70%
2020		38,954,744	38,727,968	99.42%	-	38,727,968	226,776	99.42%

Source: Dallas County Tax Office - jurisdiction reports

City of Rowlett, Texas
Ratios of Outstanding Debt By Type (Unaudited)
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Leases	Bond Premiums
2011	\$ 33,370,000	\$ 43,040,000	\$ -	\$ 2,509,351	\$ -
2012	25,642,298	34,010,000	-	2,381,898	1,800,637
2013	22,516,497	31,765,000	-	2,817,990	1,524,918
2014	24,387,041	22,095,000	-	4,063,254	1,797,719
2015	59,613,462	880,000	1,235,000	5,299,215	4,917,122
2016	58,866,953	2,700,000	1,070,000	4,271,557	4,983,517
2017	63,893,994	2,545,000	895,000	3,233,339	4,681,208
2018	76,535,928	2,385,000	2,520,000	2,467,172	4,991,594
2019	88,351,413	2,220,000	1,785,000	1,683,805	5,913,643
2020	99,922,275	2,050,000	995,000	1,850,419	7,464,012

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 10

Business-Type Activities							
Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Capital Leases	Bond Premiums	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 37,995,000	\$ 1,140,000	\$ 4,010,000	\$ 3,548,806	\$ -	\$ 125,613,157	4.75%	2,203
42,628,851	12,013,851	3,820,000	3,459,450	1,664,396	127,421,381	4.59%	2,207
39,121,751	11,841,752	3,620,000	3,487,159	1,413,348	118,108,415	4.09%	2,035
40,266,479	12,186,480	3,410,000	3,236,256	1,494,713	112,936,942	3.87%	1,931
25,330,000	13,926,538	225,000	3,419,277	2,565,541	117,411,155	3.83%	1,957
23,215,000	12,693,047	-	3,721,764	2,134,112	113,655,950	3.58%	1,887
21,030,000	11,191,006	-	2,773,624	1,733,707	111,976,878	3.40%	1,806
23,830,000	9,629,071	-	1,913,003	1,725,748	125,997,516	3.58%	2,004
26,450,000	8,198,587	-	1,028,678	1,749,647	137,380,773	3.54%	2,073
30,880,000	6,722,725	-	286,388	2,184,657	152,355,476	3.66%	2,263

Table 11

City of Rowlett, Texas
Ratios of Net General Bonded Debt Outstanding (Unaudited)
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds and Certificates of Obligations	Less: Amounts in Debt Service Fund	Net	Percentage Taxable Assessed Value ⁽¹⁾	Per Capita ⁽²⁾
2011	\$ 77,550,000	\$ 11,709	\$ 77,538,291	2.41%	1,360
2012	73,466,786	138,242	73,328,544	2.31%	1,270
2013	67,648,167	249,778	67,398,389	2.16%	1,161
2014	60,466,240	143,808	60,322,432	1.94%	1,032
2015	80,572,122	768,718	79,803,404	2.43%	1,330
2016	80,313,517	-	80,313,517	2.24%	1,333
2017	83,206,208	279,683	82,926,525	2.11%	1,338
2018	96,061,593	350,876	95,710,717	2.18%	1,522
2019	106,468,643	639,362	105,829,281	2.15%	1,597
2020	117,154,012	911,436	116,242,576	2.15%	1,726

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See Table 6 for property value data.

⁽²⁾ See Table 15 for population data.

Source: City of Rowlett - Finance Department

Table 12

City of Rowlett, Texas
Computation of Direct and Overlapping Debt (Unaudited)
September 30, 2020

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Dallas County Properties:			
Debt repaid with property taxes:			
Dallas County	\$ 130,445,000	1.65%	\$ 2,152,343
Dallas County Community College District	135,375,000	1.65%	2,233,688
Dallas County Hospital District	622,000,000	1.65%	10,263,000
Dallas County Schools	27,204,352	1.65%	448,872
Garland Independent School District	511,020,000	21.00%	107,314,200
Rockwall County Properties:			
Debt repaid with property taxes:			
Rockwall County	144,815,000	5.89%	8,529,604
Rockwall Independent School District	507,655,857	6.68%	33,911,411
Subtotal, overlapping debt			164,853,118
City of Rowlett, direct debt			112,281,706
Total direct and overlapping debt			\$ 277,134,824

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Rowlett. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Source: Debt outstanding and estimated percentage applicable for taxing entities other than the City was obtained from the Municipal Advisory Council of Texas.

City of Rowlett, Texas
Computation of Legal Debt Margin (Unaudited)
September 30, 2020

As a home rule city, the City of Rowlett is not limited by law in the amount of debt it may issue. The City's Charter (Section 6.04) states:

The City Council shall have the power to levy, for general purposes, an ad valorem tax on real, personal, and mixed property within the territory of the City, not exempt from taxation by the Texas Constitution and the laws of the state, not to exceed a total of one dollar and twenty-five cents (\$1.25) per one hundred dollars (\$100.00) assessed valuation...

The City Charter (Section 7.01) also states:

The City shall have the right and power to borrow money for public purposes by whatever method it may deem to be in the public interest. The City shall have the right and power to issue tax bonds, revenue bonds, and any other evidences of indebtedness for permanent public improvements or for any other public purpose not prohibited by law or this Charter...

Article 11, Section 5 of the State of Texas Constitution states in part:

... but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such City...

The tax rate at September 30, 2020, is \$ 0.757173 per \$100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

Table 14

City of Rowlett, Texas
Schedule of Revenue Bond Coverage –
Water & Sewer Bonds (Unaudited)
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other ⁽²⁾		Less: Operating Expenses ⁽³⁾		Net Available Revenue		Debt Service ⁽¹⁾		Coverage		
					Principal	Interest					
2011	\$	23,579,540	\$	13,423,497	\$	10,156,043	\$	2,713,929	\$	828,115	2.87
2012		22,602,722		15,268,474		7,334,248		1,530,750		421,456	3.76
2013		25,357,867		15,469,264		9,888,603		1,435,789		382,656	5.44
2014		24,921,020		16,921,253		7,999,767		1,404,000		416,408	4.39
2015		26,608,183		17,126,482		9,481,701		1,333,158		348,908	5.64
2016		26,572,514		19,045,209		7,527,305		1,289,722		320,797	4.67
2017		27,958,290		18,637,098		9,321,192		1,237,059		293,765	6.09
2018		31,588,402		21,444,429		10,143,973		1,191,500		324,215	6.69
2019		32,580,074		21,977,734		10,602,340		1,322,500		390,859	6.19
2020		32,856,127		21,786,659		11,069,468		1,544,000		427,765	5.61

⁽¹⁾ Debt service requirements are the average annual requirements.

⁽²⁾ Total revenues excluding interest income and including capital recovery fees.

⁽³⁾ Total expenses excluding depreciation, interest expense, and fiscal charges.

Source: City of Rowlett - Finance Department

Table 15

City of Rowlett, Texas
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	
					Dallas County	Rowlett
2011	57,015	\$ 2,646,237,195	46,413	11,382	8.8%	7.9%
2012	57,727	2,774,879,163	48,069	11,215	7.6%	7.2%
2013	58,043	2,889,612,712	49,784	11,065	6.7%	6.1%
2014	58,476	2,917,250,688	49,888	11,050	5.7%	5.5%
2015	60,002	3,063,162,102	51,051	11,101	4.4%	4.0%
2016	60,236	3,175,581,684	52,719	10,696	4.0%	3.7%
2017	61,999	3,291,030,918	53,082	10,564	4.0%	3.7%
2018	62,868	3,520,356,528	55,996	10,368	3.7%	3.5%
2019	66,285	3,880,655,325	58,545	10,235	3.4%	3.3%
2020	67,339	4,159,058,657	61,763	10,064	6.6%	5.8%

⁽¹⁾ US Census

⁽²⁾ U.S. Department of Commerce: Bureau of Economic Analysis. Per Capita Personal Income represents the Dallas-Plano-Irving, TX Metropolitan Division.

⁽³⁾ Texas Education Agency Standard Reports - Enrollment. Totals include only students attending schools within City of Rowlett boundaries.

⁽⁴⁾ Texas Workforce Commission

Sources: U.S. Census, U.S. Department of Commerce, Texas Education Agency, Texas Workforce Commission

Table 16

City of Rowlett, Texas
Principal Employers (Unaudited)
Current Year and Nine Years Ago

Employer	2020			Employer	2011		
	Employees	Rank	Percentage of Total City Employment		Employees	Rank	Percentage of Total City Employment
Garland ISD (City schools only)	961	1	2.70%	Garland ISD (City schools only)	1,092	1	3.60%
Baylor Scott & White Medical Center	784	2	2.20%	Lake Pointe Medical Center	686	2	2.26%
City of Rowlett	521	3	1.46%	City of Rowlett	371	3	1.22%
Wal-mart Supercenter	482	4	1.35%	Target Corporation	275	4	0.91%
DR Horton	265	5	0.74%	Wal-mart Supercenter	250	5	0.82%
The Home Depot	189	6	0.53%	Senior Care at Lake Pointe	190	7	0.63%
Target Corporation	166	7	0.47%	Albertson's, Inc.	120	6	0.40%
Tom Thumb	145	8	0.41%	Rowlett Nursing Home	119	8	0.39%
Berry Family Services, Inc.	137	9	0.38%	H & S Manufacturing	82	9	0.27%
Senior Care at Lake Pointe	130	10	0.37%	Store Décor	73	10	0.24%
	<u>3,780</u>		<u>10.61%</u>		<u>3,258</u>		<u>10.74%</u>

Source: City of Rowlett - Economic Development Department and 2011 CAFR

City of Rowlett, Texas
Full Time Equivalent Employees by Function/Fund (Unaudited)
Last Ten Fiscal Years

Function/Program	Fiscal Year					
	2020	2019	2018	2017	2016	2015
General government:						
City council	3.50	4.20	3.50	3.50	3.50	3.50
City manager	8.00	7.50	7.00	6.00	6.00	7.00
City secretary	4.00	4.00	4.00	3.50	3.50	3.50
Financial services	19.00	18.50	21.50	20.50	24.50	22.50
Information technology	7.00	6.00	7.00	7.00	7.00	7.00
Public information office		-	-	-	-	-
Human resources	6.00	6.00	6.00	6.00	5.50	5.50
Buildings and grounds	8.00	7.00	7.00	7.00	7.00	7.00
Public safety:						
Police	128.00	120.75	116.25	116.25	115.25	114.25
Fire	89.00	88.00	79.00	79.00	79.00	78.50
Municipal court	14.77	12.00	7.00	7.00	6.00	6.50
Animal services	6.00	6.00	6.00	6.00	6.00	5.50
Environmental services	9.00	9.00	9.00	9.00	7.00	6.00
Public works:						
Administration and engineering	13.50	13.50	13.25	14.00	14.00	11.00
Streets	15.00	15.00	15.00	15.00	15.00	13.00
Fleet services	3.00	3.00	3.00	3.00	3.00	3.00
Water and sewer	35.00	35.00	28.00	28.00	24.00	20.00
Drainage	2.00	2.00	2.00	2.00	2.00	2.00
Refuse	1.00	1.00	1.00	0.50	0.50	0.50
Culture and recreation:						
Parks administration	3.00	3.00	3.00	3.00	3.00	3.00
Parks operations	20.00	19.00	18.00	18.00	18.00	16.00
Community centre	11.80	11.80	11.80	11.30	11.30	11.05
Wet zone	21.70	21.70	20.70	20.70	20.70	20.70
Library services	15.50	15.25	15.25	15.25	15.00	16.00
Development:						
Planning	6.50	6.50	10.00	10.00	10.00	9.00
Building inspections	13.00	13.00	10.75	10.00	11.00	9.00
GIS	2.00	2.00	2.00	1.00	1.00	1.00
Economic development	3.00	3.00	3.00	3.00	3.00	2.00
Total	<u>468.27</u>	<u>453.70</u>	<u>430.00</u>	<u>425.50</u>	<u>421.75</u>	<u>404.00</u>
Fund						
General	430.27	415.70	382.00	379.00	379.75	367.00
Water and sewer	35.00	35.00	45.00	44.00	40.00	35.00
Drainage	2.00	2.00	2.00	2.00	2.00	2.00
Refuse	1.00	1.00	1.00	0.50	0.50	0.50
Wet zone	n/a	n/a	n/a	n/a	n/a	n/a
Fleet services	n/a	n/a	n/a	n/a	n/a	n/a
Information technology	n/a	n/a	n/a	n/a	n/a	n/a
Total	<u>468.27</u>	<u>453.70</u>	<u>430.00</u>	<u>425.50</u>	<u>422.25</u>	<u>404.50</u>

Source: City of Rowlett - Finance Department Budget Book

Table 17

Fiscal Year			
2014	2013	2012	2011
3.50	3.50	3.50	3.50
5.00	5.00	5.00	4.00
3.50	3.50	3.50	3.00
22.00	20.00	20.00	20.00
5.00	5.00	5.00	5.00
-	-	-	4.00
5.00	3.00	3.00	3.00
7.00	7.00	7.00	7.00
110.00	110.00	110.00	110.50
77.00	77.00	76.00	76.00
7.00	7.00	7.50	7.00
6.00	5.25	5.25	5.00
6.00	6.00	6.00	6.00
12.25	11.50	10.50	10.50
13.00	14.00	14.00	14.00
3.00	3.00	3.00	3.50
20.00	19.00	20.00	20.00
2.00	2.00	2.00	2.00
-	-	-	-
2.00	2.00	2.00	2.00
12.00	12.00	12.00	12.00
10.30	10.30	10.00	10.00
20.70	20.70	21.00	21.00
16.00	17.00	17.00	17.00
4.25	4.00	4.00	3.25
2.50	1.00	1.00	2.00
1.00	1.00	1.00	2.00
2.00	2.00	2.00	2.00
<u>378.00</u>	<u>371.75</u>	<u>371.25</u>	<u>375.25</u>
341.50	335.25	334.75	339.75
34.50	34.50	34.50	33.50
2.00	2.00	2.00	2.00
-	-	-	-
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
<u>378.00</u>	<u>371.75</u>	<u>371.25</u>	<u>375.25</u>

City of Rowlett, Texas
Operating Indicators By Function/Program (Unaudited)
Last Ten Fiscal Years

Function/Program	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Public safety:						
Number of police employees	128	120	116	116	115	111
Number of citations	7,682	8,894	7,895	7,903	7,828	11,684
Number of fire employees	89	88	79	79	79	79
Number of fire calls	1,726	1,865	1,842	1,676	2,332	2,520
Number of EMS calls	4,012	3,736	3,717	5,095	3,333	3,046
Fire inspections	846	1,479	896	958	1,247	916
Public works:						
Asphalt replaced (tons)	480	-	9,350	4,480	4,894	1,437
Concrete placed (cubic yards)	10,252	20,597	12,970	2,704	1,476	926
Concrete pavement (sq ft)	419,400	842,589	530,606	110,619	60,368	857
Culture and recreation:						
Volumes in collection	77,636	77,211	74,816	81,083	78,518	88,774
Development:						
Permits issued	884	265	262	189	285	183
Water and sewer:						
Number of water customers	20,642	20,715	20,416	20,338	19,920	19,786
Average daily water consumption	6,307,057	6,199,263	5,992,052	6,926,000	6,622,000	6,409,000
Peak daily water consumption	17,111,000	13,089,000	15,576,000	14,375,000	18,134,000	22,907,000
Number of sewer customers	19,800	19,612	19,436	19,286	18,947	18,734
Average daily sewer usage	4,270,005	4,503,134	5,000,000	5,058,000	5,437,100	4,216,000

Source: City of Rowlett Departments

Table 18

2014	2013	2012	2011
116	110	110	111
12,657	10,241	10,870	10,675
78	77	78	76
1,603	1,316	1,245	1,295
2,900	2,758	2,354	2,384
1,586	622	1,153	1,450
11,335	5,136	10,504	6,823
3,688	387	5,465	7,389
150,888	141,049	223,551	302,292
93,061	99,945	93,972	75,103
119	78	87	27
19,201	20,178	19,383	19,311
8,444,000	6,505,457	6,959,891	7,227,667
12,396,000	15,803,000	20,270,000	22,606,000
18,657	18,469	18,383	18,323
3,893,000	3,664,614	4,121,000	3,695,811

City of Rowlett, Texas
Capital Asset Statistics by Function/Program (Unaudited)
Last Ten Fiscal Years

Function/Program	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Public safety:						
Police stations	1	1	1	1	1	1
Marked police units	47	37	37	53	39	23
Fire stations	4	4	4	4	4	4
Public works:						
Miles of streets	516	507	531	531	551	378
Miles of alleys	105	105	105	105	105	105
Culture and recreation:						
Parks acreage - developed	371	371	371	609	608	608
Parks acreage - undeveloped	314	314	314	374	375	376
Libraries	1	1	1	1	1	1
Water and sewer:						
Water mains (miles)	254	272	270	270	262	259
Fire hydrants	2,126	2,119	3,050	3,050	3,020	3,003
Sewer mains (miles)	232	250	250	250	244	244

Source: City of Rowlett departments

Table 19

Fiscal Year			
2014	2013	2012	2011
1	1	1	1
22	24	25	25
4	4	4	4
466	466	531	530
105	105	105	105
608	620	608	608
376	364	377	377
1	1	1	1
256	225	254	255
3,003	2,097	2,093	1,908
241	240	239	236



Single Audit Reports





**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Honorable Mayor and Members of City Council
City of Rowlett, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rowlett, Texas (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and Members of City Council
City of Rowlett, Texas

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 5, 2021



**Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance**

Honorable Mayor and Members of City Council
City of Rowlett, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Rowlett, Texas' (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Honorable Mayor and Members of City Council
City of Rowlett, Texas

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 5, 2021

City of Rowlett, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Subrecipients
<u>U.S. Department of Homeland Security, Federal Emergency Management Agency</u>				
Direct Programs:				
2018 Fire Prevention and Safety Grant	97.044	EMW-2018-FP-00627	\$ 42,857	-
SAFER Grant	97.083	EMW-2017-FH-00209	577,084	-
Passed through the Texas Division of Emergency Management (TDEM):				
Emergency Management Performance (EMPG)	97.042	20TX-EMPG-0021	20,071	-
2017 City of Rowlett Residential Safe Room Program	97.039	DR-4255-012	55,062	-
Total U.S. Department of Homeland Security			<u>695,074</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
Direct Programs:				
Department of Treasury Equitable Sharing Program	21.016	N/A	103,927	-
Passed through Dallas County:				
Coronavirus Relief Fund (CRF)	21.019	N/A	3,248,960	-
Passed through the Texas Division of Emergency Management (TDEM):				
Coronavirus Relief Fund (CRF)	21.019	N/A	439,065	-
Total U.S. Department of Treasury			<u>3,791,952</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Department of Justice Equitable Sharing Program	16.922	N/A	114,876	-
Organized Crime Drug Enforcement Task Force	16.UNK	N/A	14,664	-
Bureau of Justice Assistance Bulletproof Vest Partnership	16.607	N/A	6,840	-
Passed through the Texas Office of the Governor:				
Coronavirus Emergency Supplemental Funding (CESF)	16.034	N/A	125,606	-
Total U.S. Department of Justice			<u>261,986</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Dallas County:				
Community Development Block Grant	14.218	B-15-M C-48-0047	7,150	-
Community Development Block Grant	14.218	B-16-M C-48-0047	143,651	-
Community Development Block Grant	14.218	B-17-M C-48-0047	24,967	-
Community Development Block Grant	14.218	B-18-M C-48-0047	115,275	-
Community Development Block Grant	14.218	B-19-M C-48-0047	18,345	12,736
Community Development Block Grant-CV - CARES Act Formula Grant	14.218	N/A	111,295	-
Total U.S. Department of Housing and Urban Development			<u>420,683</u>	<u>12,736</u>
<u>Institute of Museum and Library Services</u>				
Passed through Texas State Library and Archives Commission:				
Interlibrary Loan Program	45.310	LS-00-18-0044-18	1,693	-
Total Institute of Museum and Library Services			<u>1,693</u>	<u>-</u>
Total Federal Assistance			<u>\$ 5,171,388</u>	<u>\$ 12,736</u>

See accompanying notes to schedule of expenditures of federal awards.

City of Rowlett, Texas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

1. General

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City of Rowlett, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the respective schedule.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

3. Pass-Through Expenditures

Of the federal expenditures presented in the schedule, the City provided \$12,736 of Community Development Block Grant (CFDA 14.218) awards to subrecipients.

4. Indirect Cost Rate

The City has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Rowlett, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I. Summary of Auditor's Results:

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

An unmodified opinion was issued on compliance for major programs.

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes X None reported

Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number
21.019

Name of Federal Program or Cluster
Coronavirus Relief Fund (CRF)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low risk auditee? _____ Yes X No

City of Rowlett, Texas
Schedule of Findings and Questioned Costs - Continued
For the Year Ended September 30, 2020

Section 2. Financial Statement Findings

None

Section 3. Federal Award Findings and Questioned Costs

None

Section 4. Schedule of Prior Audit Findings and Questioned Costs

None